uture of the Stock Market—Its Strong and Weak Points

The MAGAZINE of WALL STREET

EDITED BY

Richard D. Wyckoff

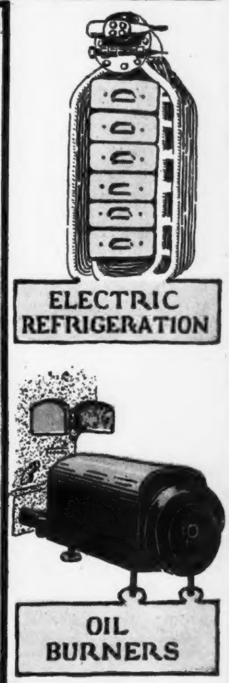
A New Road to Profit in Securities

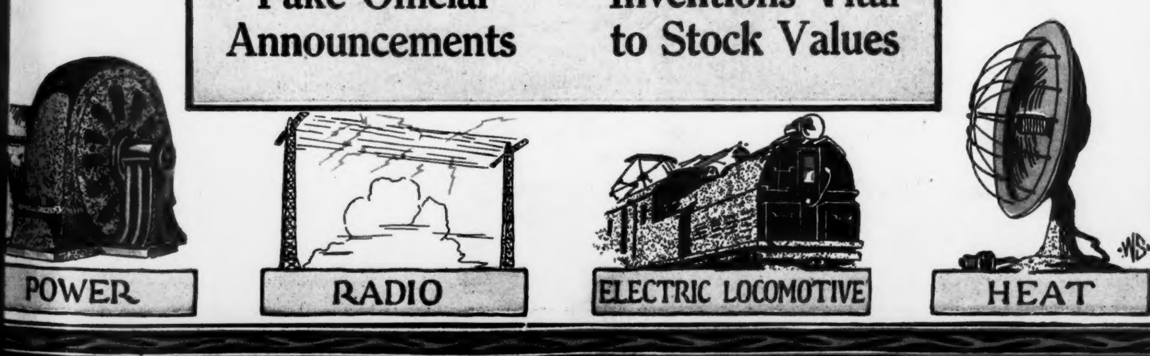
See Page 622

Dillon—Financier Extraordinary

Fake Official Announcements

Inventions Vital to Stock Values





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Stock Market Review,
By Richard D. Wyckoff

Comparison of earnings of all leading companies for several years back.
New Stock Listings.
Stock Market Range for 1925.
Dividend Changes in 1925.
Bond Market in 1925.
Bond Market Range for 1925.
Curb Markets.

DOMESTIC TRADE AND BUSINESS—

Business Review Covering the General Situation, by E. D. King.
Money and Credit—by H. Parker Willis.

Important Banking Changes.
Commodities, Including Price Fluctuations in 1925.
Record of Production in Leading Commodities.
Corporation and Government Financing in 1925.
Important Economic and Political Events.

FOREIGN TRADE AND FINANCE—

Foreign Bonds.
Foreign Exchange in 1925, with Tables and Graphs.

BONDS—

Bond Financing.
Review of Unlisted Bonds.

SECURITIES—

Earnings and Financial Position, with Charts and Tables.

Railroads	Automobiles	Mining	Sugar
Public Utilities	Chemicals	Steel	Banks
Food and Packing	Leather	Coal	Shipping
Chain Stores	Machinery	Oil	Tobacco
Mail Order	Insurance	Tires	Radio
Accessories	Textiles	Paper	Curb

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WITH THE EDITORS

On Gains and Losses

ONLY the inexperienced investor has any illusions about ease in "making money in Wall Street." The experienced investor or trader knows better. The other day, we met a very successful market speculator who frankly confessed that he had learned only one lesson from all his experience and that is never to make the same mistake twice. "You know," he said, "there is no hope at all for the chap who makes the same mistakes over and over again in the market. I believe in variety, speaking for myself. I never duplicate my mistakes. They are all different, each in a class by itself."

We pressed him for a little additional light on his rather cryptic remark, and he responded, "Every time I make an error in judgment, I put that down in my mental note-book and vow never to repeat it and I don't. Yet I know that sooner or later I'll make another miscalculation. Each stock represents a different problem. That I may have learned to avoid a situation which may have resulted unprofitably to me in one case, is not to say that I shall be able to avoid a like loss in another case. In other words, I make the fullest allowance for my fallibility in market judgment.

"Mind you, I am not an investor when it comes to my market operations. I am a speculator and as such realize I am dealing with unknown factors, any one of which might upset my applecart. Therefore, I make the fullest preparation for errors. In fact, I expect them as a natural occurrence considering the uncertain business in which I am engaged. Consequently, I continue to make mistakes and though they are never the same, still they are mistakes. In view of this, I have long time ago been compelled to place certain safeguards on my methods. The chief of these and, practically, my main support, has been to cut my losses short. By doing so, I confess my error at once. I never obstinately oppose a market trend. Many people do so, I know, and in the long run, perhaps, they may emerge without hurt. But, in doing so, they tie up their capital, which is a painful and unprofitable experience.

"My next rule is to let my profits run. I know this is an old bromide in the market but for me it is a living thing. I have no system but judge each case on its own merits. But one thing I never do is to let a profit turn into a loss. I make this an invariable principle.

"My third rule is to limit the funds I use for speculation. Personally, I don't believe in speculating with more than a third of my available funds but tastes differ. I know one very successful trader who never speculates with less than three quarters of his funds, on the principle that a man who is not reasonably sure of himself had better not engage in speculation at all and that if he is at all capable, he ought not to limit his operations."

We present the above as being the attitude of many of those who have been most successful in Wall Street. Every experienced speculator knows how easy it is to make mistakes and strives constantly to impose checks upon himself. To confess weakness, is the first sign of strength!

In The Next Issue

Special Dividend Forecast Section

1. (February 13 issue) Railroad and Public Utility Companies.
2. (February 27 issue) Mining, Oil and Industrial Companies.

Stocks Which Should Resist a Market Decline

If the market goes through a reactionary period of some proportions, which types of stocks will hold up better than the others? This article attempts to answer this question and gives a list of stocks which can be held with reasonable safety.

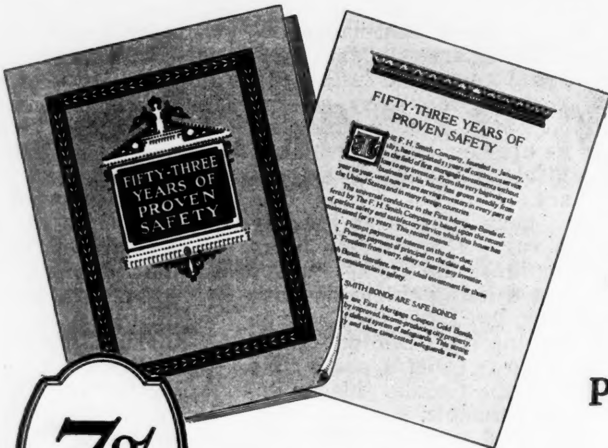
Special Security Features

1. The Rayon Industry and Securities.
2. Bonds and Preferred Stock With Warrants.
3. The High Cost of Low Margins.
4. Leading Oil Supply Companies—an analysis of companies which supply the oil industry with equipment.
5. The Newest Gold Field: What Are the Security Opportunities?

These by no means cover all the features of the next issue. We trust that you agree an unusual issue of THE MAGAZINE OF WALL STREET is being prepared for your benefit. You ought not to lose this opportunity to secure a copy.

Watch for the February 13 Issue

THE HISTORY OF SMITH BONDS



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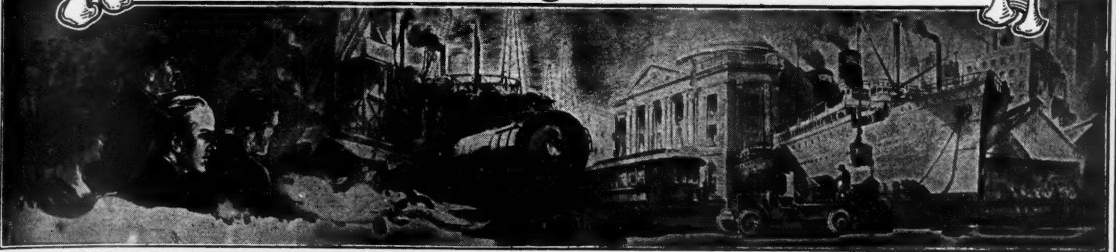


EDITOR
RICHARD D. WYCKOFF

MANAGING EDITOR
E. D. KING

INVESTMENT & BUSINESS TREND

Publicity on Brokers' Loans—Effects of Income Tax Cut —Business Continues Satisfactory—Money Rate Conditions —Steady Absorption of Bonds—The Market Prospect

THE recent announcement of the Federal Reserve Board that reports would be regularly issued by member banks on the amount of their outstanding loans to brokers constitutes one of the most important decisions ever rendered by the System. There are two broad developments which will probably arise. The first is that information on the amount of credit used for speculative purposes in the stock market will be available to the public for the first time in history. The second is that the Federal Reserve Board through the new information at hand places itself in a position to curb speculative excesses in securities whenever such a situation should arise.

The situation heretofore has been that our banking institutions through lack of Federal supervision on brokers' loans have been able to find employment for their excess funds by making loans on stock exchange collateral. This has often resulted in a situation wherein accommodation for speculative purposes proved more easily available than ordinary legitimate commercial loans. Since member banks, under the law, cannot rediscount stock exchange collateral, while at the same time they can rediscount commercial loans, they rediscounted all they could on the latter instruments, at the same time first using all their available funds for stock market purposes. In other words, on many occasions, the stock market received the preference.

Under the new conditions, with member banks obliged to state the amount of their stock exchange loans, an indirect but none the less effective check is placed on the amount of loans they make for these purposes. It will now and for the first time in history be possible for the general public to form an idea of the colossal scale of speculative enterprise on the Stock Exchange, even though figures on non-member bank loans on security collateral will still not be available. However, the latter are not important, considering the aggregate of loans. While the lending of funds on security collateral is both legitimate and necessary from a broad economic standpoint, it is quite another matter to leave open a situation which can result in drawing off an excess amount of credit from the ordinary commercial needs of the country to speculation in stocks.

With the fullest publicity now given this situation, it seems that the Federal Reserve Board has at last adopted a credit policy which can be made enormously effective. What the earlier reports on brokers' loans will tell cannot be forecast but it is certain they will cast surprising light on the vast amount of credit used for stock exchange purposes. They will also show how deeply the member banks are involved. While, for the present, this general development is regarded as depressing from the viewpoint of those who would like to see an indefinite amount of credit available for trading in stocks, nevertheless, from the long-range viewpoint it can only result in imparting greater investor confidence through increasing stability of security fluctuations.

INCOME TAX CUT

WITH assurance virtually given by leading legislators that the income tax bill, incorporating many important reductions, would pass before March 15 and thus be effective for payments covering the 1925 tax year, the

effects on securities are coming up for discussion. From a security viewpoint, the main feature of the new Income Tax Act is the reduction in surtaxes to a maximum of 20%. Assuming this feature is retained in the final bill, the logical outcome would be to release shares now held at a very large profit by wealthy individuals. These shares will come on the market and in fact are already doing so as can be noted from the fact that a number of companies, whose shares had advanced greatly, have split up their shares to facilitate wider distribution. The first effect, therefore, of tax reduction is not a favorable one. On the other hand, funds which heretofore have been placed in tax-exempt issues will again emerge and be available for investment in taxable issues but which pay a higher rate of income. For that reason, we should expect to witness considerable buying in bonds and preferred stocks, a situation which is already in process of development. Thus the effects of tax reduction on securities are likely to be mixed and may be summarized as follows: (1) the effect on common stocks, especially those which have had great advances, should be more or less adverse; (2) the effect on sound bonds and preferred stocks, where the yield is considerably in excess of the yield offered by tax-exempt issues, ought to be satisfactory.

BUSINESS CONDITIONS

THOUGH some uncertainty exists as to the duration of the present great industrial activity, there is little question that it will at least run well into Spring. Taking the U. S. Steel Corporation situation as an index, it is found that the leading interest is operating at about 85% of capacity and that orders on its books are increasing steadily so that large operations are assured for a few months. Similar conditions seem to prevail in the automobile industry which is now preparing for a large volume of business and in the building industry. It seems, however, that pretty nearly a saturation point is being reached in present volume of consumption, and it is unlikely that the present pace will be continued beyond Spring when at least the usual recession should take place.

MONEY RATES

THE money market is slightly firmer in respect to call money which is averaging about 4½%. Time money is unchanged at 4¾% and commercial paper is quoted 4½%—4¾%. While ostensibly little change has taken place in the money markets, this is usually the time for relaxation in rates. The fact that none has appeared may be taken as an indication that the usual demand which will appear again toward the end of the month ought to bring about a generally higher money rate average.

BONDS ACTIVE

THE bond market has been unusually active, due largely to year-end reinvestment demand. Another factor, however, has materialized and that is switching from stocks to bonds. Many investors with profits in stocks are cashing in and converting the proceeds to more stable types of issues. Thus, the rather unusual phenomenon is witnessed of a rising bond market at the same time that money rates are firm. The advance in bonds, however, is by no means uniform and is more or less limited to the junior railroad issues and others of sound quality but not in the gilt-edge class.

MARKET PROSPECT

SINCE the beginning of the year, the stock market has been in a trading range with the general trend, on the whole, moderately downward. A feature is that whereas last year for the most part, prevailing opinion on the future of the market was bullish there are now two well-defined groups, those who still believe that the market will go higher and those who believe it has reached its peak. Coinciding with this change in viewpoint, stocks have separated, broadly speaking, into two classes; those under pressure and those, much more limited in number, still making progress. It is reasonable to suppose that this selective process will continue.

We see no reason to change our opinion that though it is still possible to find issues, which on their own merits, are entitled to sell at higher prices, for the most part stocks are at unattractive levels. Hence, the investor will find it the best policy to exercise restraint and make a limited number of selections only after the most careful appraisal, bearing in mind that at this time it is not desirable to load up on speculative securities. The merit of this is that it enables the investor to build up a reserve of funds, thus placing him in a position to take advantage of opportunities when they occur.

Monday, January 25, 1926.

World Economic War Brewing?

Europe Preparing to Compete with United States in World Markets—How This Would Affect Our Industries

BY EMERY DERI

THE American business man who, since the end of the war, has been accustomed to regard Europe as a collective noun for financially bankrupt and economically decaying countries, may be compelled in a short time to revise his conception of the economic vigor and the productive power of contemporary Europe.

From the wreck and ruin, caused by the war and revolutions, a new Europe is slowly emerging before the eyes of those who, only a few years ago, prophesied that the Old World had lost its economic vitality forever. Instead of broadcasting S. O. S. signals for aid and help, this new Europe is busy rearranging its economic forces. The same countries that settled their debts to America reluctantly and were constantly begging for new loans, have succeeded in building up their diminished industrial productions and they are even making preparations for competing successfully with American industries.

At the same time, we may observe a remarkable change in Europe's attitude toward America. A few years ago, the keynote sounded by European statesmen and economists was that only America could and should save the Old World from an economic cataclysm. The prevailing opinion in present-day Europe is that the Old World must liberate itself from the deadly grip of American financial and economic supremacy. The signs of a beginning industrial revival throughout Europe are accompanied by a singularly martial spirit toward America.

The reasons for this remarkable change root deeply in the general European economic and political situation. First of all, the European nations begin to realize the greatness of their indebtedness to America and see that the only way to pay the immense yearly installments is in increasing their industrial production. In other words Europe believes that she can pay to America with the millions that this country and other countries will pay yearly for raw material controlled by European nations and for European industrial products. The second reason is the necessity of providing employment for the masses of workmen whose idleness may be the cause of new political tremors.

Before the war, Europe sent its over-population to America. The Quota Law has dried out this channel of leading off the superfluous "human material" and the problem of employment can be solved only through an industrial production increased beyond the limits of domestic consumption.

Then, lastly, there is a third factor which also plays an important part in stimulating the nations of Europe to preparations for a keen industrial competition with America. This is the changed European mentality regarding America's relation to Europe. While, after the war, America was hailed as the savior of mankind and humanity, today cries are heard everywhere about the alleged tendency of American capital to enslave Europe's entire population. "Shall the masses of Europe slave for the next hundred years to fill the money bags of American capitalists?"—asked a Socialist member of the French Chamber of Deputies the other day, and in these few words he gave voice to the solicitude that occupies many of the best brains in Europe.

Walther Rathenau, at the time of his assassination, was regarded as the most brilliant economic leader and Government official in Europe. His astute mind seemed to envelop the future. In 1916, he foresaw what was to come and told the writer that the real winner of the war would be America but that the time would come when she would have to fight to hold her gains. The time now seems at hand, just as he prophesied.

It is the general belief in Europe that the only possible solving of these problems is to increase the European industrial production and challenge the supremacy of American industry. It cannot be denied that European industry reached the point in its after-war development where the question of its expansion may be earnestly considered and that it made an amazing progress on its way to recovery.

European industries suffered after the war from a series of crises which resulted in an utter lack of working capital in almost every country in Europe. In Germany, it was the sudden halt of inflation of the policy to let the currency be depreciated, which has caused the impovishment of industry. Industrial concerns as great as the House of Stinnes which borrowed freely in the days of inflation, hoping that they could repay in a currency still more worthless, saw themselves confronted with the problem of paying in real money and they neither had real money nor were the banks able to supply them with it.

In Austria, where there are still powerful industries, the country was so inpoverished that there was no possibility of

industry raising even the smallest loans on the domestic money market.

France had her own problem in battling against the downward tendency of the franc and could pay no heed to the needs of her industry.

Italy also needed money to stage an industrial revival and the great industrial concerns of northern Italy went to Holland and Switzerland in quest of loans.

Almost every industrial concern needed money and many failed because they were unable to obtain it. It was the critical era of European industry; it was a time when—as one said it in Europe—even the richest industrialists had not cash enough to pay for their daily luncheon.

In a comparatively short time, however, the situation changed. American capitalists who have studied conditions in Europe, saw unlimited possibilities of highly profitable investments and have supplied the motive power the European industries needed for their recovery from post-war convulsions—the working capital. A flood of American loans for European industrial concerns began. In the year of 1924 more than 200 million dollars have been invested in European loans by American capitalists and at least the same sum in 1925. The necessary investments could be made and production increased and expanded.

Stabilizing the Currency

Almost all European countries stabilized their currency or returned to the gold standard, and in consequence of these measures the purchasing power of the domestic markets became greater. Industry was able to employ more and more men and the wages enabled the working classes to buy the output of the factories. The middle class which had refrained from buying for years, showed signs of economic convalescence and needs of a higher nature which had to be satisfied by the industry. Industrial concerns made substantial profits everywhere and the export activities began.

The most interesting feature of the industrial revival, however, was the amazing forging ahead of German industry. Six years after the collapse of the German Empire, German industry is regaining its leading position with giant steps. Its steel mills are working, its iron industry is flourishing, its dockyards are replacing the lost commercial fleet with new ships and even its moving picture industry is the only one in Europe which represents a dangerous competition to the American production.

When the European industries were able to satisfy not only the needs of the domestic markets, but also to produce for export, step by step the European attitude toward America changed. Europe saw in America with its highly developed and brilliantly organized industry not a country which had spent millions of dollars to help Europe, but a dangerous rival of the European industries and a country which—through its protective tariff—is practically excluding European products from its markets, while it threatens at the same time to flood European markets with its cheap and standardized merchandise.

To understand this one has to realize the actual industrial situation both in Europe and America. After the readjustment of industrial production in Europe with the aid of the American loans, and after having satisfied the needs of the domestic markets, European industry sought new markets for its products.

It had considerable natural advantages over the American production. Labor in Europe is still much cheaper than in America and the cost of production can be held considerably under the level of American production. The natural market for cheaper European merchandise would have been—in the belief of the European industrialists—America. The Fordney tariff bill, however, proved prohibitive for European industrial products.

To cite only one example, one of the highest developed industries in Germany is the toy industry, with which no other toy industry of any other country can compete. The American tariff bill levies 70% duty on imported toys and the consequence is that the American market is almost lost for the German toy industry. Or take the automobile market. European automobiles, especially the high class cars, are cheaper than the American automobiles of the same class, in consequence of the lower production cost. The French, Italian, Austrian and German automobile factories, however, are unable to export to the United States on a wider scale because the duties are prohibitive. On the other hand, American automobiles are sold all over Europe because the price of the cheaper cars are so low that the Ford, Chevrolet or Buick machines can compete with the European production in spite of the duties which are relatively lower than the American rates.

America's Grip on Markets

Furthermore, America has certain industries which are so highly developed and which have secured such a distinctive position that they have a monopoly on the European market. The best example is the American motion picture industry. While European motion pictures are almost never shown in America, Europe has been flooded with American films. Many millions of dollars come yearly from Europe to America for motion pictures while the European motion picture industry is starving.

At the same time, European industry labors under the burden of the

How Wages Compare

Building Trades

	Bricklayers	Carpenters	Joiners	Plumbers	Painters	Unskilled Labor
Amsterdam ...	$15.3	$15.3	$15.3	$16.3	$14.4	$12.4
Berlin	13.3	13.4	13.4	13.8	13.2	10.3
Brussels	8.0	8.6	8.7	7.4	7.1	6.1
Copenhagen ...	29.1	27.1	21.9	23.8	20.9	23.7
London	20.4	20.4	20.4	20.4	19.4	15.6
Milan	6.9	7.3	6.7	6.7	7.6	4.5
Prague	7.1	7.5	7.5	7.5	6.5	5.2
Rome	7.4	7.4	7.0	6.6	....	5.4
Philadelphia .	67.20	54.0	55.2	48.0	....	40.8

Engineering Trades

	Fitters	Iron Molders	Pattern Makers	Turners	Unskilled Labor
Amsterdam ..	$12.8	$11.1	$12.8	$11.1	$ 9.2
Berlin	8.6	8.6	....	....	6.3
Brussels	6.8	7.5	8.5	7.5	5.2
Copenhagen .	20.8	22.8	22.1	15.9	18.7
London	14.9	14.9	15.8	14.9	10.3
Milan	6.2	6.6	....	6.7	4.9
Prague	7.9	7.9	9.6	7.2	4.6
Rome	6.9	6.9	....	6.7	4.6
Philadelphia .	48.0	46.5	48.0	36.0	31.2

Showing wages calculated on basis of 48 hours work weekly, at ordinary time rates.

American loans. It has to pay immense sums to America in the form of taxation and special levies. It is unable to find a market for its products in the United States and it has to battle against the American products on the domestic markets.

It is natural that a feeling of exasperation towards America developed. This feeling appears even in the European attitude regarding the American loans. While only a few years ago the slogan of needy European industrialists was that it was to the economic advantage for their own country to interest American capital in European production, the situation today has changed considerably. In place of the propaganda *for* loans there is now the propaganda *against* further American loans. The most significant phenomenon in this relation is the background of the American journey of Dr. Hjalmar Schacht, president of the Reichsbank of Germany. Those not acquainted with the real situation thought that Dr. Schacht's intention was to arrange for new loans for German cities and for German industrial enterprises. The fact was that Dr. Schacht came here partly with the intention of putting an end to the almost unlimited flood of American loans to German communities and industrial organizations.

Europe's Attitude Toward the United States

A few days after the departure of the Reichsbank's president, "Vossische Zeitung," one of the best informed German newspapers, published an article in which Dr. Schacht's position against further American loans was emphasized and the danger of "mortgaging our domestic industry to American capitalists," explained.

A strange sentiment against America may be felt all over Europe, a sentiment which appeared in a significant way immediately after the Locarno treaty was signed. Important newspapers all over Europe greeted the treaty not only as a sign of reconciliation between the former enemies, but as a step in the direction of creating a united economic European front. That this "united economic front of Europe" can be directed only against America, is evident. In fact, the Locarno treaty can be considered as an immense gain for European industry. With the abolition of certain preventive measures against each others' industrial production, with the creation of better and easier means of communication, European industry will be able in a short time to dispose of its products all over Europe, despite the barriers of political frontiers.

But the sentiment against American economic supremacy and the preparations for a keen competition with American industrial production manifest themselves not only in words, but also in severe measures actually taken against America. The first of these measures is the passing of "anti-dumping" bills against American merchandise and the establishing unheard-of legislative measures forcing the American manufacturers to pay for the privilege of importing their products or —to keep out.

I shall mention as the most significant in this relation the legislative steps taken by the Central European states against the import of American moving pictures. Any American producer who wishes to export an American film into Germany, Austria or Hungary, has to pay $6,000 duty and is compelled to produce two pictures in the same countries. These rules are apt to lessen the importation of American films into these countries or they will have the consequence of developing the moving picture industries of the said countries at the expense of American producers.

Another example is the battle of the French automobile industry against the American. France used to import a considerable number of the cheaper American automobiles, especially Ford cars. Since M. Citroen started the manufacturing of his cheap models, the so-called French Fords, an extremely keen competition is developing between the French and the American industry. Citroen is succeeding in gaining the advantage over Ford not only in the domestic market, but all over Europe. Now other French manufacturers are trying to force the government into a special legislative measure, which would levy such heavy duties on American cars as to make it difficult for them to find a market there.

England pursues the same policy of battling the American industry, only with other methods. After having defended her own industry with an anti-dumping bill she has raised the price of raw materials controlled by her so that the interest and principal of her American loan will be paid by those American manufacturers who are compelled to use these raw materials. The spectacular rise of the price of the rubber is only one illustration of this policy.

All these measures are parts of a system and precursors of a keen competition between American and European industrial production which is bound to come, bringing to realization the prophetic statements of Walther Rathenau, that dead giant of European economic life, who made these statements to this writer in 1916 stirring up a considerable sensation in the European press at that time. "No matter who will be the military winner of the war"—said Herr Rathenau—"the real winner, financially, economically and politically will be America. Europe will feel the American supremacy within a short time after the war. Europe will feel the tendency of the New World to subjugate the Old World economically and Europe will be forced to fight this American supremacy if she does not wish to be reduced to the level of an American colony." Only seven years after the armistice Europe is preparing to fight the American supremacy.

The second and concluding article of this series will be published in the next issue. This discusses in detail the plans of each European nation for competing with us.

AVERAGE WAGE PER WEEK OF 48 HOURS IN BUILDING AND ENGINEERING TRADES—SHOWING HOW MUCH LOWER WAGES ARE IN EUROPE.

The Extent of Market Inflation

Seven Billion Dollar Increase in Price of Listed and Unlisted Stocks—What Does It Mean?

LAST year's stock market record is well worth analyzing, for it throws unexpected light on some little understood phases of the so-called bull market. A recent tabulation by the *New York Times* shows that the quotations of stocks listed on the New York Stock Exchange advanced 4.9 billion dollars in 1925 and that, if the New York Curb Market and over-the-counter transactions be included, the total gain for 1925 was 7 billion dollars. This is by far the biggest gain in any year since market records have been compiled.

Total net gain 7 billions

Net gain in 1925 in stocks listed on N. Y. Curb market and traded in over the counter.

—2.1 billions—

Net gain in 1925 in value of all stocks listed on N. Y. Stock Exchange

—4.9 billions—

One would naturally draw from this set of figures the conclusion that 1925 represented a great bull market year, but they conceal the fact that a surprising number of stocks failed to participate to any important extent in the advance and that an even more surprising number lost ground during the year.

Of the 767 more or less active stocks listed on the New York Stock Exchange at the beginning of 1925, only 147 showed gains of 20% or more. This represents less than 20% of the total. Of the balance, not less than 163 stocks declined and 457 made gains from 1 to 20%. In other words, about 80% of the listed stocks were more or less out of the running so far as making unusually large gains are concerned.

Superficially, it would look as if about 80% of the market has yet to enjoy a bull market but it must be remembered that the 1925 advance was pyramided on top of an advance that took place in 1924 and, for many stocks, that started way back in 1922. In other words, 1925, which represented a great bull market for about 20% of the stocks, also marked a period of hesitation, if not distribution, for the rest many of which had their advance in 1923 and 1924.

All the more remarkable then that a practically 5 billion dollar gain should have taken place in listed stocks in 1925, considering that 80% of them either made comparatively small gains, no gains at all, or actually lost ground.

Upon seeking for further light, we find that the chief gains were made in stocks representing a handful of industries. These were, principally, automobile, tire, public utilities, department store, chain systems and mail order. There were also some very large gains in a few railroad shares, and a comparative handful of so-called specialty stocks.

As stated above, 163 stocks declined. These were represented principally by the following groups: radio, automobile accessory, sugar, textile, metal, coal, and shipping. This record closely paralleled the unfavorable conditions which prevailed during the year in these industries. On the other hand, the groups of stocks which advanced markedly represented industries which were in a completely flourishing condition.

Nothing could more clearly indicate the change in the character of the market or justify the statement made so often in this publication, that the stock market is now not a unit, but a group of markets which can and do move more or less independently of each other. Consequently, any interpretation of the market based on what is supposed to be a general condition is necessarily meaningless.

We shall therefore limit our discussion to that group of stocks which made the greatest gains in the market and in which inflation may be found in its more acute forms. These are, principally, the automobile, tire, public utility, department store, chain system, mail order, railroad and any other individual issues which have advanced 20% or more during the year. These groups compose an aggregate of stocks which advanced nearly 5 billion dollars in 1925.

Does this mean that the value of the companies represented by these stocks increased 5 billion dollars, or that this value is likely to increase 5 billions in the reasonably near future? It means nothing of the sort. It means that five billion dollars *paper* value has been added to the former market appraisal, as capitalization either of their 1925 earnings or their possible future earnings.

The question is: to what extent has the capitalization of these earnings been on a real or imaginary basis?

This cannot be measured accurately but a fair approximation may be made. According to common valuation, stocks do not sell nearly so much in relation to dividends as they do to earnings. Most students of company values place the market price of a stock at about ten times the earning rate. This varies for different industries, but may be accepted as more or less normal.

Let us take a typical case. Woolworth in 1925 earned possibly $10 a share. If the stock sold at ten times the earnings, it would now be at around 100, whereas the quotation is about 210. In other words, 110 points of the price has to be explained. The earnings are less than 5% of the market price, whereas, according to general practice, they should be 10% of the market price.

Is this situation warranted? Upon making inquiries, we learn that Woolworth is expanding, that its earnings should be steadily larger, and, of perhaps greatest importance, it no longer has

other than a nominal good-will item on its books, and that the amount heretofore annually charged off for this item will be available as earnings for the common. So far so good. But we also find that 110 dollars of the present 210, which is the price of the stock, represent a good deal more than these conditions and that they reflect a fairly liberal capitalization of hopes for the future. Though, such hope may be partially justified, as in this case, it must be apparent that, even admitting the sound values behind the stock, it is still selling at a figure which contains a good deal of inflation.

Let us take another example. General Electric probably earned about $24 a share in 1925. According to our formula, the stock ought to sell at about 240. Yet it is selling at 340. This 100 points difference must also be explained. Some explain it on grounds of "hidden" assets or another melon to come. However explained, it shows the price to already have reflected these possibilities.

So it may be that these estimates of value are too liberal, that something may occur which would render them null and void. Such reasonable apprehensions, be it noted, are not reflected in the price of those stocks which have scored very substantial advances. If they had, they would have been held back to some degree by the realities of the situation. In other words, optimism has played a very great part in measuring stock values.

Let us see just what part optimism has played. The average price of 20 industrial stocks (Dow, Jones average) at the beginning of 1925 stood at 121; at the end of the year, it was 156. This represented a gain of nearly 30%. The average earnings of these twenty stocks in 1924 was $12 per share; in 1925, it is estimated at $14.3. This is a gain of 19%. Thus, these stocks advanced about 30% while their earnings increased only 19%. Evidently, then, they are selling to represent something more than an actual increase in earnings. In brief, the difference between 19% and 30% indicates probably the extent of inflation in the price of those stocks which have had phenomenal advances. One might say that buyers are about 50% too optimistic.

Look at it another way. The investor pays $210 for a stock which a year ago could have been bought at $125. In the meantime this company (Woolworth) increased its earnings from $8 to $10 a share. For this increase of $2 a share in earnings, the investor pays $85 a share more than a year ago.

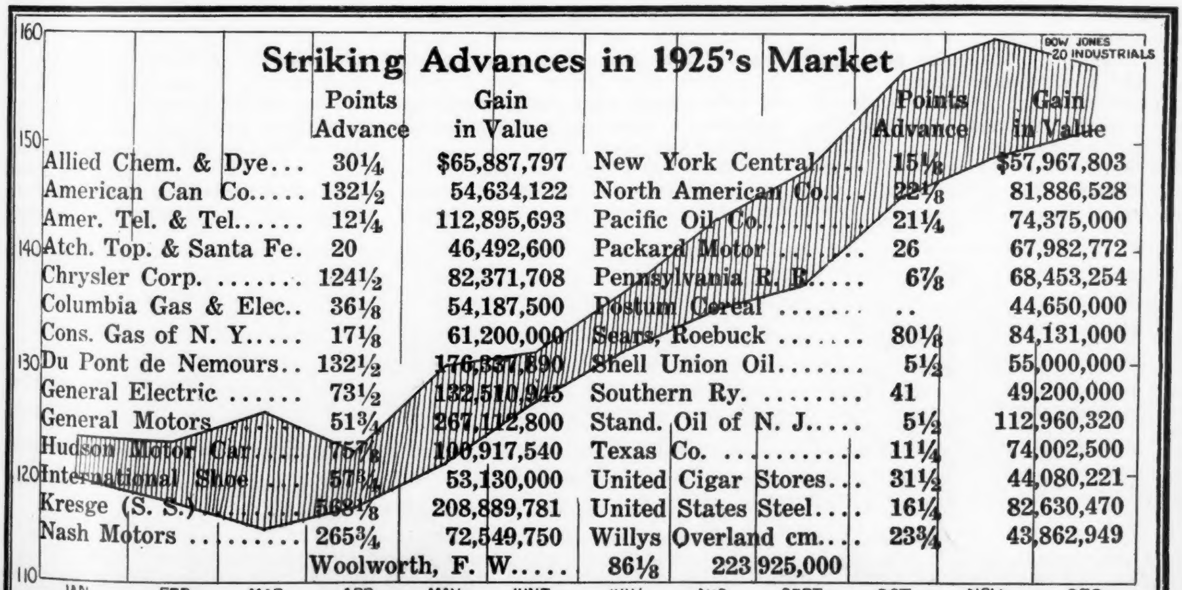
General Electric in 1925 advanced 73 points, at the same time that its earnings increased $3 per share. Sears, Roebuck advanced 80 points but its earnings increased only $4 a share. Remington Typewriter advanced 60 points with an increase in earnings of about $4 a share. Such advances seem out of proportion, no matter how they may be explained.

As we have seen, a group of representative industrial stocks showed an increase in earnings of about 19% during the past year. At the same time, their stocks advanced 30%, more than discounting the increase by about 50%. Even if we conclude that earnings this year will increase by another 19%, it is still evident that stocks have already rather liberally capitalized this possible increase in earnings. Or, if the process were to be continued, we would find that instead of stocks having gained a mere 50% in the market more than they should have, they would soon be selling twice as high as they are worth.

Applying this set of figures to the reported 5 billion dollar gain in the quotations of stocks listed on the New York Stock Exchange, we find that 65% of this gain or about 3.2 billions represents a reflection of an increase in earnings, actual or likely or both, and that 1.8 billions represents anticipation of conditions which are uncertain to say the least. From this we deduce that roughly 1.8 billions of last year's gain represents unadulterated inflation, and, if we include Curb stocks and those quoted over-the-counter, we find that the inflation is not less than 2.4 billions.

Unless 1926 actually reaches the frenzied boom stage in business, something to be doubted very much, it is not at all unlikely that the deflation which is bound to materialize will be almost as striking as the preceding inflation which has taken place in groups of stocks which in 1925 enjoyed the greatest advances.

Striking Advances in 1925's Market



	Points Advance	Gain in Value		Points Advance	Gain in Value
Allied Chem. & Dye...	30¼	$65,887,797	New York Central....	15⅛	$57,967,803
American Can Co.....	132½	54,634,122	North American Co....	22⅛	81,886,528
Amer. Tel. & Tel......	12¼	112,895,693	Pacific Oil Co..........	21¼	74,375,000
Atch. Top. & Santa Fe.	20	46,492,600	Packard Motor	26	67,982,772
Chrysler Corp.	124½	82,371,708	Pennsylvania R. R.....	6⅞	68,453,254
Columbia Gas & Elec..	36⅛	54,187,500	Postum Cereal	..	44,650,000
Cons. Gas of N. Y.....	17⅛	61,200,000	Sears, Roebuck	80⅛	84,131,000
Du Pont de Nemours..	132½	176,337,890	Shell Union Oil.......	5½	55,000,000
General Electric	73½	132,510,945	Southern Ry.	41	49,200,000
General Motors	51¾	267,112,800	Stand. Oil of N. J.....	5½	112,960,320
Hudson Motor Car....	75⅞	100,917,540	Texas Co.	11¼	74,002,500
International Shoe ...	57¾	53,130,000	United Cigar Stores...	31½	44,080,221
Kresge (S. S.)	568⅛	208,889,781	United States Steel....	16¼	82,630,470
Nash Motors	265¾	72,549,750	Willys Overland cm....	23¾	43,862,949
Woolworth, F. W.....	86⅛	223,925,000			

DILLON *WALL STREET'S NEW LEADER?*

Commanding Position Occupied by First Great Merchant Prince in Realm of Security Distribution

By

THEODORE M. KNAPPEN

***BECAUSE** of the exceptional achievements of Clarence Dillon and the firm of which he is head, particularly in regard to the enormous mass of their recent financing, we believe a study of the man and his record to be of considerable interest to our readers. This article does not pursue the usual eulogistic course of most publications when they draw meaningless, flattering attention to outstanding personalities, but represents a frank, unbiased appraisal based on actual facts. In future issues, we hope to draw pictures of other important personalities and their relation to business and finance.*

"Did you ever have a flare-back from that $14,000,000 in cash that was segregated from the assets of Dodge Bros. before the rest of the assets were offered to the public in the shape of stocks and debentures of Dodge Bros., Inc.?"

The writer asked that question of Clarence Dillon, senior partner of Dillon, Read & Co., telling him that a commentator had said that the Dodge Bros. flotation in that respect was as if someone had bought an old desk for $146, found $14 in one of the drawers, and then sold the desk for $160.

Dillon's answer was that there never had been a flareback. The whole story was told in the prospectus and in the press. A prospectus should not be a salesman's letter, but simply a clear and concise statement of all the facts. Facts which convince one should be enough to convince another.

There was nothing novel in finance about that allegorical $14 prefatory "killing"—and nothing improper. What was novel about the transaction was that Dillon, Read & Co. brutally told the public that it was not getting the $14. When did such a thing happen in Wall Street before? Not only that, but the prospectus enabled any man, by a simple mental calculation, to see about what the total profit was to the firm and their associates.

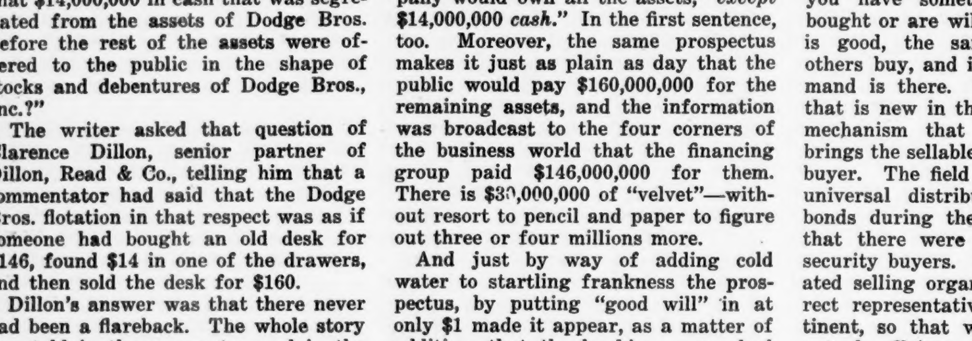
It was the unvarnished truth that the whole story was in the prospectus and in the newspapers. Converting the old desk prices into the stunning figures of high finance anyone may ascertain for himself from one of the prospectuses issued in connection with the Dodge Bros., Inc., flotation that the new company would own all the assets, "*except $14,000,000 cash.*" In the first sentence, too. Moreover, the same prospectus makes it just as plain as day that the public would pay $160,000,000 for the remaining assets, and the information was broadcast to the four corners of the business world that the financing group paid $146,000,000 for them. There is $30,000,000 of "velvet"—without resort to pencil and paper to figure out three or four millions more.

And just by way of adding cold water to startling frankness the prospectus, by putting "good will" in at only $1 made it appear, as a matter of addition, that the banking group had paid $146,000,000, and the public, $160,000,000, for about $80,000,000 worth of assets. Some of the investors nearly died of the shock when studying the prospectus after taking. Such candor was too strong meat for stomachs accustomed to more highly seasoned documentary victuals.

Here is something new under the sun of Wall Street. It is one of several new contributions to the methods and mechanics of Wall Street banking houses that have marked the rise of Clarence Dillon at 44 to the succession presumptive, if not yet the actual leadership, of that vaguely defined domain. The throne has been vacant since the death of J. Pierpont Morgan. And if Mr. Dillon shall occupy it, it will be notice to the world that the old order has changed. The new order is ushered in by a new sort of banking house which Mr. Dillon conceives as a merchandiser—an energetic one—of public loans, and of great service and productive properties in the shape of bonds and shares.

"There is no mystery, no occult magic," he explained, in that association, "about successful financing. If you have something that you have bought or are willing to buy because it is good, the same reasoning makes others buy, and it is sellable. The demand is there. What has been done that is new in this field is to create a mechanism that quickly and widely brings the sellable thing to the potential buyer. The field was prepared by the universal distribution of government bonds during the war. That showed that there were millions of potential security buyers. There have been created selling organizations, through direct representatives all over the continent, so that when an issue is put out of sufficient size you have seven or eight hundred security dealers selling it.

"It is no longer necessary to speculate whether an issue of ten, fifty, a hundred or even two hundred millions can be sold in America. The question is whether a security *should be sold,* that is, whether the proposition is sound and worthy in every respect. The acid test is whether you would put your own money into it. Under these circum-



This little piece of paper paid for one of the biggest automobile companies in America.

stances *investigation becomes the fundamental thing.*"

Another feature of the new era that was underscored in the conversation is the introduction into security merchandising of what the manufacturers of automobiles and other machinery call "service." When you buy an automobile the manufacturers consider that they are bound to see that the machine runs; they therefore provide service. I gather that Mr. Dillon has the view that whenever his house is responsible for a newly financed business machine it must see that it runs. That necessitates in the personnel of the house a number and variety of management executives. It necessitates representation in the directorates.

E. H. HARRIMAN

This subject of "service" responsibility in the modern style of financing brought up the collateral one of control of management. It was remarked to Mr. Dillon that there had been criticism of the fact that in the Dodge reconstruction voting stock was limited to a small number of common stock shares—Class B, which Dillon, Read & Co. and their associates retained in full. He was then asked if that were typical of his ideas of corporation control, and if so, how it could be reconciled with what has been called the democratization of industry, through broad distribution of share ownership. Roughly speaking, this was his idea:

Direct control of great corporations by their hundreds of thousands of shareholders is difficult. It is apt to work out that a few men get into the executive positions, secure proxies by virtue of their positions, and then run the company. This is a difficulty in widely scattered control. There probably is a satisfactory middle ground, which will yet be found.

The Dodge case was quite a different problem. There it was vital to assure the organization at Detroit and the three thousand Dodge car agents that there would be a uniform policy, free from sudden and possibly disrupting occurrences. And now that controlling stock is being partly placed in the hands of the men on the Dodge organization. The Dillon course in respect to control in this financing is not an example or a precedent.

No doubt Mr. Dillon's "disrupting occurrences" has reference to a widespread fear that unless the control were sewed up, General Motors or some other rival group would seize it. That "Dodge dollar" might not be worth much more if the organization lost its morale.

"But as a general proposition is not banker control now a characteristic of great corporations," I asked, "and is it not open to the charge that properties are manipulated for stock-jobbing purposes, instead of being managed well?"

"Yes, and no doubt there have been cases of such abuse of control. It's a big problem, this control of popularly owned corporations. Maybe out of the present situation will evolve something in the way of a real solution."

Talking of corporation management brings up the subject of Dillon, Read & Co.'s own management. The appraisal of "the street" is that Clarence Dillon is an autocrat, the remote, se-

Will Clarence Dillon capture the imagination of the public as did that titanic figure J. P. Morgan, the elder, or that genius, E. H. Harriman?

CLARENCE DILLON

cluded, worshipful aggrandized *I* of his house. Before the writer talked with Mr. Dillon he had met several of the other partners and had spent hours in talking with them and other executives, as well as with humbler employes and in just observing the general functioning of the place. As a thorough going democrat he found himself at home. The absence of swank, front and patronage on the part of superiors, and the lack of servility and cringing deference on the part of inferiors were marked. This didn't look like the abode of an imperious plutocratic autocrat. One of the partners said that he reluctantly entered the Wall Street scene as an employe because he could not bear the thought of daily contact with pompous nonentities, the dead hand of tradition and precedent, and a routine of scraping and bowing to aloof superiors. He could hardly believe that he was in historically one of the oldest houses of the street when he found how democratic, initiative and progressive was the atmosphere and the practice. The whole air of the offices is that they are the working environment of a band of co-operators, each of whom has rights as well as duties, and none of whom seems to be concerned about prerogatives. They feel that in Mr. Dollon they have a competent and trusted leader, but they don't make a demigod of him. The day's work swings on with power, speed and zest.

"Do I look like an autocrat?" Dillon smilingly answered when I asked him about the autocrat legend.

Veracity compelled me to assure him that he didn't look a bit like that sort of an ogre.

J. P. MORGAN

In the firm's meeting room there is a chair at the head of the table, but I learned that Mr. Dillon does not monopolize it. It's for whomever it is handy.

One of the partners told me that he didn't think that the senior partner ever issued an order. He doesn't even know what the partners are doing at any particular time. Any partner, even, in some cases, a department head can veto any project. It was explained that the firm never goes into anything without a unanimous decision. As the speaker of the final word, however, Mr. Dillon rejects many propositions that come to him after endorsement by the others. He is the critic, the hard-boiled skeptic who must be sold by the others.

"I would hate to have this interview lend credence to the idea that our firm is a one man performance," Mr. Dillon insisted, "because it would be inaccurate and unjust. We are sixteen partners. It is the organization that is achieving the success, not I."

To support of this position Mr. Dillon named partner after partner and gave him the credit entirely "on his own" of having created his particular part of what was referred to above as something new under the sun of Wall Street.

Apropos, the firm is as unassuming outwardly as it is internally. There is no up-stage menace attached to any of its offerings to other banking houses, bond selling organizations and other security distributors to the effect that "if you don't take this opportunity you are forever off our calling list." Like a good merchant Dillon, Read & Co. offer desirable patrons their goods again and again. In fact, that is said to be one of the main factors of their strength, as it tends to make the strong security distributors keen to take hold of whatever their judgment commends, whereas some other houses of issue are apt to

have a following of awed stragglers trying to float something they don't like.

It is the writer's opinion that there is a good deal in what Dillon says about the firm not being a one-man organization, although it is patent that he is the prime mover, the "power house of the line." For example, its wholesale selling machine, the like of which was never dreamed of in Wall Street in the deadly solemnity of the days of the Morgan reign, was so thoroughly the work of other partners, Forrestal and Phillips, that Dillon doesn't know how it was done or what it is in its human material or even in its geography beyond New York, Boston, Chicago and Philadelphia. Even the—for a banking house—exceptionally effective retailing corps is not a Dillon job. The firm of Wm. A. Read & Co. was courageous and thriving before Dillon was heard of and its antecedents go back to the foundation of Vermilye & Co. in 1830. Curiously enough it is asserted that this was the first American investment banking house.)

One of the partners, Phillips, classmate of Dillon at Andover and Harvard "found" Dillon in Chicago about fifteen years ago as a recruit to the Chicago branch of the firm. Mr. Read was impressed, brought him to the New York office and admitted him to partnership just six days before death called the head of the firm. A day or so before his passing Mr. Read advised that the newest partner should be his successor. This was in 1914. The advice seemed a bit premature and the firm drifted along under its momentum. The war came on, Dillon went on the War Industries Board, and there was little doing.

Along in 1918 Dillon strolled into the board room one day and found all the partners there. Somebody made a little speech to the effect that the boys had been talking it over for a long time—the need of a leader—and that they had all agreed that Dillon was the man. Similar speeches were made by others and some of them peeled fractions off their interests to sweeten the leader's share.

The feeling of the group, I conjecture, was that here was a galaxy of young fellows, or men in their prime; all of whom had smelled powder in the Wall Street battle front, confronted by such a financial hunting field as had never been known even in America. Here was a whole war-torn world to re-finance and rebuild, with the job up to the United States. Here was a loyal band "rarin' to go," contemptuous of old-fashioned "side" and pompous respectability, unshackled by an oppressive tradition, eager to make Wall Street work with its coats off instead of dawdling in long coats and pretending not to be "in business." All of them felt their oats and were conscious of their power, but it was apparent that the "talent" needed a co-ordinator and a leader. So, "the gang" picked Dillon to lead, and then went furiously at the golden opportunity of a new day of finance. Followed years of strenuous days and feverish nights. The Goodyear reorganization without bankruptcy was the first brilliant big job, a job that marked the new crowd as constructors and conservers, for all their flouting of fossilizing conservatism. (I am told that the firm's profit in this opener was only $200,000, but the collateral profits in prestige and fame were large. In fact, Dillon was wished into this job by big interests that wanted a possible center of panic infection promptly isolated and excised. It was a golden occasion for a debut.) Then came a flood of international financing from unheard of whiskered Balkan states around to Japan, up to Canada and down to the countries of the Southern Cross. Parallel with it ran such a river of domestic financing that it needed a recording style to keep track of them as they passed. The Dodge deal, startling in its newness as a freshly minted coin, fascinated and captivated the public. National Cash Register was swallowed and digested before the public got through wondering at the proposal. Here again it was staggered by the new frankness. *The prospectus warned the investor that the company was in the midst of troublesome litigation.* But down it went without a batted eyelid. Prospectuses are getting to be a waste of Dillon-Read printing money—and the formal financial advertisements likewise. The ads come out in the afternoon papers and the issue is taken by phone and wire in the morning. A flock of German industrial issues is rumored one day and goes over the next. German steel mergers are being financed as I write, and consolidations of the United States independent steel companies are the latest rumors—while minor issues float by in flocks. The total must be nearly a billion dollars a year.

> ### *Partners of Dillon, Read & Co.*
>
> ***If, as many believe, the firm of Dillon, Read & Co., becomes as well known as J. P. Morgan & Co., or Kuhn, Loeb, the following roster of names are likely to become as familiar to the general public as the partners of the other two great houses. For that reason, they are well worth printing.***
>
> *Clarence Dillon*
> *Roland L. Taylor*
> *Wm. A. Phillips*
> *John W. Hornor*
> *W. M. L. Fiske*
> *Robert W. Martin*
> *Edward J. Bermingham*
> *James V. Forrestal*
> *Albert M. Barnes*
> *Dean Mathey*
> *Ralph H. Bollard*
> *Wm. A. Read, Jr.*
> *Edward G. Wilmer*
> *Westmore Willcox, Jr.*
> *Joseph H. Seaman*
> *Duncan H. Read*

An Engine of Finance

Is this a new octopus, a security-merchandising octopus? Are we threatened by a United States Steel of investment control? Nobody knows. Dillon doesn't pretend to guess.

In his office they say, "He's never been a long-distance planner. His philosophy is to make the best possible job of the task in hand and let the future take case of itself. You can't make a copybook story for ambitious boys out of his career, if you want a story of how he foresaw the ultimate goal years and years ahead.

But it must be understood that there never was before in this or any other country such a high-powered machine for the initial distribution of legitimate securities in unlimited quantities. It is the mass production and distribution of commodities applied to intangibles. Doubtless it could sell anything for a time, float any financial proposition, perhaps, per contra, block any. Such is the formidable aspect of this new engine of finance.

A Snapshot

Keeping personality stuff to the last to escape the curse of the sob sisters, let's take a look at Dillon the man. Texan born, son of a San Antonio merchant and cotton planter, Andover, Harvard, A.B. Then to a job in an iron mine buying and selling and exploiting business in Milwaukee. Marriage to wealthy Miss Douglass, of the Douglasses of R. G. Dun & Co. relation. Disabled in a railway accident he went to Europe for a long convalescence and dallied with art study for two years to pass the time. Back to Milwaukee and into a little machine tool business with his brother-in-law. It grows, prospers, and then the inevitable consolidation. A period of studying investments and investing the family funds. Then Phillips, old chum, "finds" him and pulls him over to the selling side. The rest is told.

The sob sisters speak of Dillon's long-

tapering artist's fingers and "dreamy eyes, looking out from under heavy lids." Bunk! If there ever was a man who looked the part of the keen business man of character it's Dillon. Tall and slim, regular, clean cut features, Roman nose, large flashing brown eyes, a high forehead, close-cut brown hair, unstreaked by gray. A business man beyond a doubt, but with a saving liking for literature and art. Home-loving, quiet in tastes, disliking display. Actually stayed the placing of his name at the figurehead of the firm for two years because Mrs. Dillon feared that he would have to follow the name body and soul.

SOME OF DILLON'S BIGGEST ACHIEVEMENTS

Successful financing and resuscitation of the once shattered Goodyear Tire & Rubber Co.

Dodge Bros. financing, involving the flotation of 160 million dollars of securities.

National Cash Register purchase, followed by public offering and sale of 60 million dollars of securities.

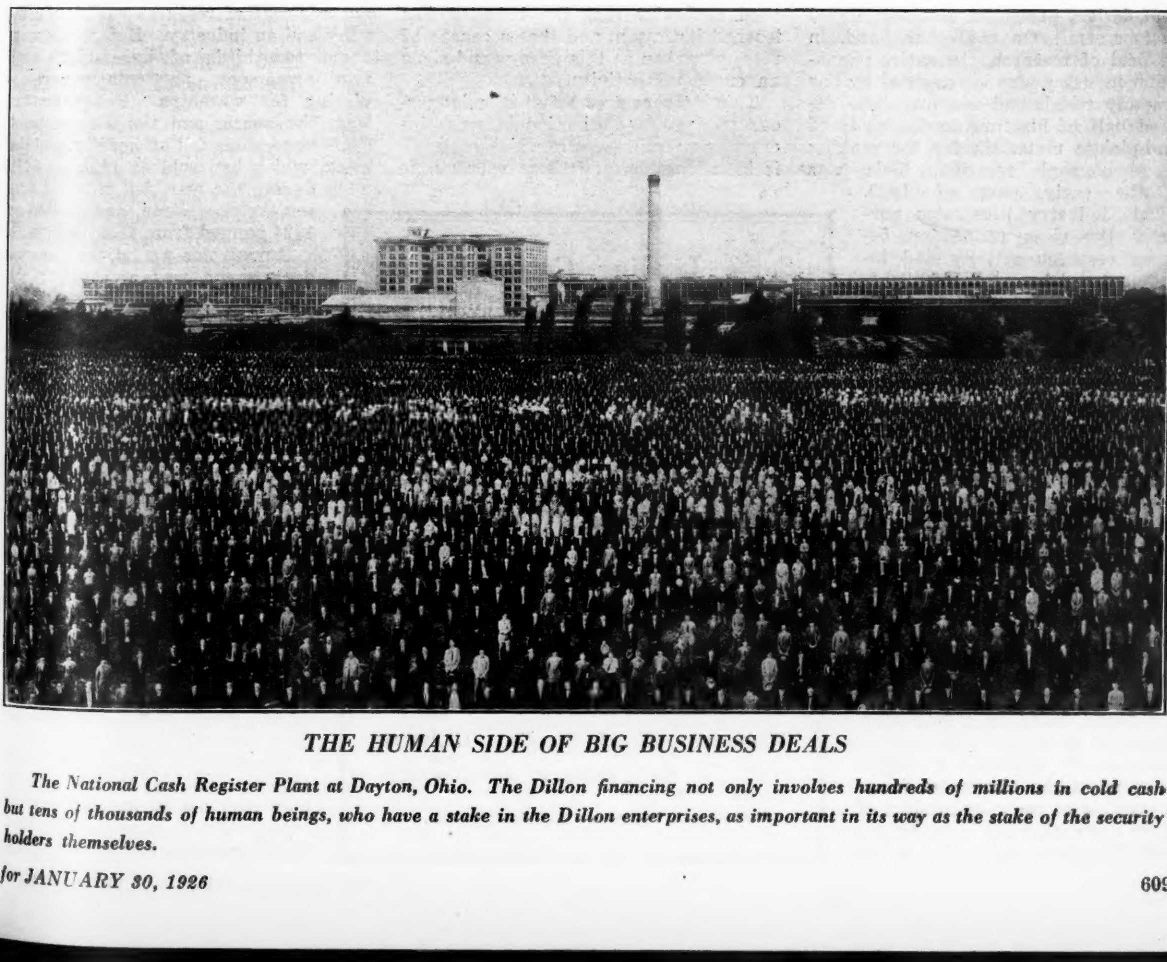
Financing of scores of smaller companies, including foreign Governments, at an aggregate running into the hundreds of millions.

Inspirational Flashes

And to a degree he has. When a large issue is on the ways, and advance talk has aroused the curiosity and whetted the appetite of the investing public—while the general financial weather is propitious and the monetary signs auspicious, the launching must be advanced with furious haste. At such critical moments Dillon has been known to go for several days with only four hours off in the twenty-four. He enjoys the rare gift of a mind that remains keen and active after the body has succumbed to exhaustion. He has the energy and the vitality that are typical of genius; but what makes him above all, is his quick and luminous intelligence. Time and again he entirely recasts in a flash of inspiration projects that have been laboriously built up and meticulously refined by his partners. His dictation of drafts of contracts and memoranda are as notable for their precision of expression as for their velocity of production.

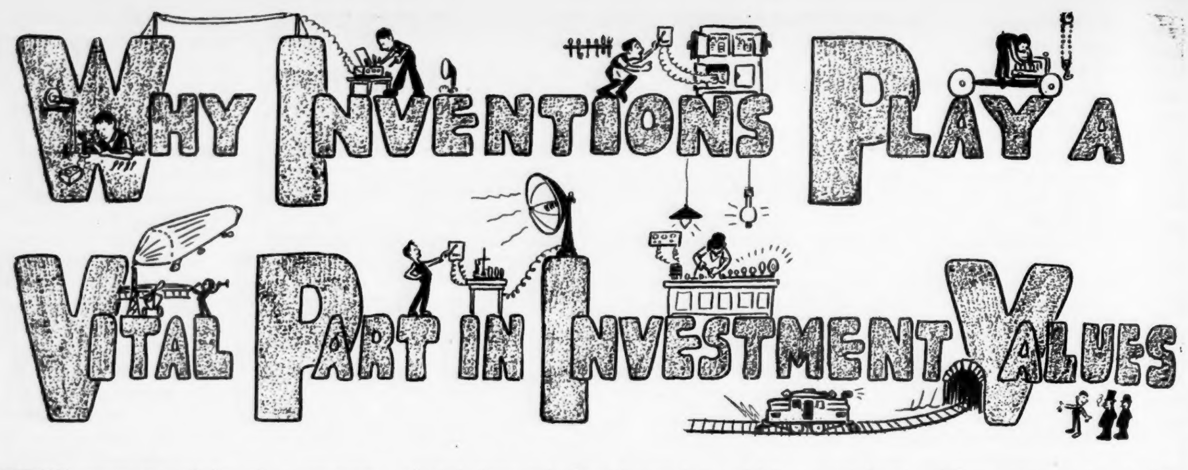
A New Leader?

Is he the new leader of Wall Street? Certainly not a lonely Harriman, with his insatiable acquisitiveness of financial domination. Certainly not a solitary J. Pierpont Morgan, with his pious conviction of trusteeship for the financial stability and vested interests of America. It is perhaps significant that the firm as such do not belong to the Stock Exchange. They are not stock market manipulators or operators. But perhaps in the new Wall Street, the Wall Street of energetic merchants of newly manufactured securities, Dillon will rank as the first of the merchant princes, be the renown rightfully his own or that of his clan. Hence, the great interest shown by the public in his brilliant career and unconventional methods.



THE HUMAN SIDE OF BIG BUSINESS DEALS

The National Cash Register Plant at Dayton, Ohio. The Dillon financing not only involves hundreds of millions in cold cash but tens of thousands of human beings, who have a stake in the Dillon enterprises, as important in its way as the stake of the security holders themselves.



THE research activity of a company is a guide to the investment value of its securities. This has a definite dollars-and-cents meaning to the investor, too often overlooked. It tests not only the aggressiveness and foresight of the management, but also the prospects of an entire industry. Research is not only a means of taking the offensive into new business territory, but often a defense against loss of conquests already won.

The Pennsylvania Railroad, for instance, although it has nearly a hundred years of existence behind it, and is one of the most solidly-anchored big corporations in the United States, maintains a research staff of hundreds of men investigating problems of strength of materials, electrical equipment design, protective coatings, signal systems, etc. On the other hand, in the field of research, the entire phonograph industry was represented by one company which had one man who devoted half of his time to the study of semi-plastic materials for the making of phonograph records. This was in the early part of 1920.

This industry illustrates perfectly the close connection between research activity and investment values. By 1920, phonograph men appeared to think that the major problems of their industry had been solved, as far as the quality of their product was concerned; their main interest was with problems of production and sales.

Yet from a disinterested standpoint their intrinsic position was weak. The record was limited to 4½ minutes in length, it gave very poor reproduction of certain instruments, notably the piano, the double-bass, the Franch horn; it was limited in scope of music by market considerations.

When the crisis of 1921-22 came along, complicated by radio competition from 1922 on, the industry found itself in a bad way. Sales of machines and records dropped off rapidly. Salvation came when the companies found it possible to use a by-product of some research work done by the Bell Telephone interests on the electric transmission of sound, in which they had occasion to study the deflections of a stream of electricity and their correction. The principles thus worked out were applied to the deflections of a stream of sound, which are distortions, and used in the construction of the orthophonic phonograph. Similarly, the basic methods of radio broadcasting, the use of a microphone and amplifiers, were adapted to the recording of sound on disks. The combination of new records and new machines has revivified the industry—or, from the investor's viewpoint, has meant prospects of dividend resumptions or increases, and better prices for the securities of companies of this group.

Incidentally, we are informed on good authority that the industry has learned its lesson, and that a census of research taken at this time would show an enormous activity.

This instance shows that it is dangerous to draw a distinction between industries or companies to which research is indispensable, and those where it is secondary. All we can say is that in some industries it is so essential that the laboratory is the life of the business, just as in others the center of gravity is in the factory, or the sales department.

In an artificial silk company, for instance, the main concern is to get out enough production to meet the demand; in the automobile industry, speaking broadly, sales problems are predominant. There are probably few industries, however, if any, that can afford to neglect research, whether "applied," *i e.*, for the sake of a definite preordained use, or "pure," for the purpose of increasing the general sum of knowledge without any direct or immediate application in view.

The International Nickel Company is another case of research saving a company and an industry. Before the war, about two-thirds of its output went into armament, particularly armor-plating for warships. Following the war, the peace, and the disarmament conference, sales fell off heavily, and the stock, which had sold as high as 57½ during the war, fell to 10⅝ during the depresison, and as late as 1924 ranged from 11½ to 27⅛.

During this period, its research department was working night and day to figure out new uses for nickel and the copper-nickel alloy, called Monel metal, which can be smelted direct from the company's ores. It sold the chemical industry, the packers, laundry machinery makers, canning men, ice cream dealers, and a host of varied industries. Not long ago, Ford signed a contract to take several million pounds a year. The losses in sales due to the falling-off in armament consumption of nickel are being made up, greater diversification is secured, new lines are being opened up constantly and old lines more thoroughly cultivated, and now the stock is not far from the high of 48½ made in 1925 and still has good long-pull prospects.

The point to be noticed is that improvement in the laboratory goes long before improvement in sales, which in turn precedes that improvement in earnings on which

Some Leading Companies in the Field of Research

Company	Capitalization*
Allied Chemical & Dye Corp.	$290,000,000
E. J. Du Pont de Nemours & Co., Inc.	166,600,000
Eastman Kodak Co.	223,000,000
General Electric Co.	207,000,000
Goodyear Tire Co.	109,000,000
New Jersey Zinc Co.	53,000,000
Pennsylvania R. R.	1,118,000,000
U. S. Industrial Alcohol Co.	31,836,000
Western Electric Co. for Bell System)	1,189,000,000**
Westinghouse Elec. & Mfg. Co.	113,200,000

*No par value stocks at current market prices.

**American Telephone & Telegraph Co.

higher market values can soundly be based.

But while some industries are suddenly faced with the necessity of developing research by a sharp change in circumstances, such as confronted the nickel industry when armament sales fell off or the phonograph industry when radio competition arose in a market already overloaded with inventories, other industries are permanently faced with research problems. Such are the manufacture of electrical equipment, the chemical industries as a whole, the tire, automotive, petroleum, paint and varnish, explosives, fertilizer, mining, textile and many other industries, in which constant technical improvement of processes and the search for new markets are essential to survival, let alone progress.

Even here, the most amazing differences in the progressiveness of different companies in the same line of business are to be noted. A survey made some years ago by the National Research Council showed, for instance, that one of the largest companies in the tire industry employed on part or full time 525 men on research work; another company, somewhat smaller but still of the same order of size as respects capitalization and sales, employed 9. A corporation which completely dominates a basic branch of the food industry, so much so that the name of the corporation is often identified with that of its product, had four chemists working on half time on research problems, while a much smaller organization had sixteen.

It is obvious, of course, that the stock of a corporation which is very active in research is not necessarily better than that of another which does little beyond routine laboratory work, except possibly in fields of industry where research is essential, such as those where changes in methods, products or markets have been very great in recent years. There can be no denying the importance of research activity as a criterion of progressiveness, however, and thus, directly or indirectly, of security values.

When one finds, for instance, that three floors of the American Telephone & Telegraph Company's building at 195 Broadway, New York City, are devoted to the Development and Research Department, beside a laboratory building on West street; that the problems handled cover vast future developments, such as transatlantic telephony, replacement of poles and wires by underground cables, as well as interesting side developments such as wire transmission of pictures and printed matter by telephotography, in addition to the regular routine improvement, detail by detail, of the day's work, one feels that there is a stable basis of value for the company's securities altogether apart from tangible asset values, net earnings per share over a period of years, and the other customary tools of the investment analyst. Assets may not realize their full value on actual sale; earnings reflect the past, not the future, but the essence of intelligent research work is to lay the foundations of future earning power. Since the main concern of the investor is with future earnings, any factor which has such a vital bearing on them as this question of research should not be overlooked.

A company which does the gas business for one of the first five cities of the United States has always been noted for its research activity, even before the great increase in cost of gas production which set in with the general rise in prices. This is probably one reason why its securities have held up marketwise in astonishing manner—new uses were being found for gas in industrial heating, production methods were being improved and costs held from rising as far as in some other cities, and earnings per share did not fall as far as in many other companies.

Charles P. Steinmetz

late head of the General Electric research department whose marvellous achievements were responsible to an important degree for the company's growth in earnings. Steinmetz represented that type of research expert who work modestly in their laboratories, but who, in a sense, are the real creators of profits and dividends.

Of course, the amount of progressive technical work which is being done by or for a company cannot be judged by the size of its laboratory or of its research staff. There is a difference between quantity and quality, although in this particular case quantity is very important. Many companies collaborate closely with outside institutions, such as laboratories of other companies, of endowed institutions like universities, or groups like the National Research Council.

The latter organization was formed in 1916 by the American Academy of Science, authorized by act of Congress in the midst of the Civil War in 1863. The council was found so useful during the great war that it has been retained since, with the cooperation of the military and naval authorities, and of many industrial companies. Its cooperation with the latter is so manifold that it is hard to say when some company or other will find that a problem which has been worrying it for years is on the point of being announced as settled by some committee of the council. Still, those companies which obtain the most benefit from outside organizations are likely to be those which are most energetically cultivating research work in their own laboratories.

By this time, the indifference to research as being "high-brow" or academic is disappearing rapidly from industrial circles. One remembers too well how the radio industry, with a turnover approaching a half-billion dollars a year, grew out of some mathematical calculations by Clerk Maxwell, the English physicist, as to how a radio wave would look if there were such a thing as a radio wave, and the experimental proof by the German Hertz that there is such a thing; and how the gas industry, threatened with extinction as a source of lighting by the incursions of electricity, was saved by the invention of the gas mantle by Auer von Welsbach as a by-product of some work on the photographic effects of salts of the rare metal lanthanum.

Even so practical a business man, mining engineer and administrator as Herbert Hoover has recently come out strongly for the encouragement of "pure" research as well as applied.

It little becomes the investor, therefore, to lag behind in the growing recognition of the fact that research means progress, and progress means profits.

Industry is becoming more complex every day. In former times the investor had to know only whether a company was progressive in its own field. Now he must know whether it is alive to progress in other fields that may have some bearing on its future profits. Even more important is its relation to pure science. Large companies are maintaining research staffs, even better than those in the universities, whose work is only distantly related to their every-day problems. These seemingly unrelated researches ultimately do more to increase profits than immediate improvements. The investor must become aware of this changed situation, if he is to profit at all from industrial advancement, and of equal importance, if he is to avoid costly mistakes in his selection of securities. Thus, what seems theoretical becomes vital in its bearing on profits and dividends.

Hoodooing Joint Stock Dividends

Suspension of Dividend by One Bank Frightens Timid Investors—Federal Farm Loan Board's Ruling Analyzed

PRIOR to 1925, the stocks of joint stock land banks were not well known to the great body of American investors. They began to enjoy some popularity in 1925, and once the public became aware of their merits, their quotations reflected the change. They enjoyed absolute investor confidence, and with great reason.

Unfortunately, no sooner had they attained popular recognition than a recent ruling of the Federal Farm Loan Board injured their prime standing, and caused considerable recessions in price. Despite the decline, the securities are still well above their price before they had become so popular. Evidently, the great majority of investors in these securities have not been alarmed.

Out of the fifty-eight banks in the system, fifty-five were unaffected by the Federal Farm Board ruling. One (Southern Minnesota) was ordered, or requested, not to pay its January dividend of 2½%. Two (Banker's of Milwaukee and Des Moines) were ordered to reduce their January dividend from 2½% and 2¼% respectively to 1% each.

The ruling held that no payment of dividend should reduce the amount available for further dividends below the value of foreclosed or other real estate held by the Joint Stock Land Bank. In other words, all of such real estate holdings was to be treated as having no value for the purpose of declaring a dividend thereon.

Whatever may be thought of the wisdom of this ruling, it is undoubtedly true that in so far as the surplus of the banks is concerned the ruling will have a favorable effect. Experience shows, however, that practically all real estate so held is redeemed by the delinquent borrower, and it would seem that a considerable value could be set upon such holdings, with perfect justice. But even if it were possible to agree with the Board on the ruling, there is no question that a defter handling of the matter would have done less injury to investor confidence. The objects of the Board, it seems, could have been attained without the rather dramatic method of suddenly interfering with the dividend policy of the three banks.

Strength of the System

A joint stock land bank cannot be formed with less than $250,000 capital. It can make farm loans up to fifteen times the amount of the capital invested. It can then issue farm loan bonds against these loans. Farm loans cannot be made at a rate of interest more than 1% above the coupon rate on such bonds. A joint stock land bank capitalized at one million in capital stock, all paid-up, could loan fifteen millions. On each million it would thus earn 1%, or 15% on all loans. In addition, it can make, say, 5% on its capital. This total of 20% gross profits is easily attained by a strong bank.

Assuming that such a bank pays out 10% in dividends, and that its expense would eat up 5%, it would be in the position of a commercial bank, when it came to building up surplus. Although there are restrictions as to the building up and employment of such reserve funds, it still remains true that most of this reserve would ultimately have to be disbursed in dividends. For the more stock there is outstanding, the greater the amount of loans that can be made, and, therefore, the more profitable bond issues that can be made. Hence, it would not be at all surprising for a joint stock land bank to yield to its shareholders, over a stretch of time, as much as 15% per annum. Naturally there are some things that interfere with the beauty of the picture, and two of these stand out.

In the first place, too much stock may have been issued and sold. For example, if a bank has sold one million in capital stock, and can loan out on farms only 6 millions profitably and safely, then the gross earnings per share are cut to 6%, plus 5% or so on the capital. It is true that such a bank would be solvent, and might even pay a small dividend, but not much could be expected of it until it showed that it could soon employ its loaning capacity to pretty much the hilt.

In the next place, loans might actually be bad, though there is little basis for such a belief. The experience of life insurance companies on farm loans, conservatively made, is against assumption that this can ever be a source of ultimate loss. In point of fact, Joint Stock Land Banks, as a group, are better secured than any other lenders. They loan on the higher value land, and only on first mortgage. On farms sold under foreclosure throughout the Farm Loan System, it appears that the loans made were only 40% of the price realized. It is notorious that best prices are not attainable on

(Please turn to page 660)

Ten Representative Joint Stock Land Banks

Bank	Farm Loan Bonds Outstanding*	Capital Stocks*	Ratio Bonds to Stock	Book Value	Dividend	Recent Bid	Recent Ask	Yield %
Chicago	53.6	4.0	13.4 to 1	$124	$10	150	170	5.88
Kansas City	41.9	3.8	11.0 "	123	10	150	165	6.06
Lincoln	29.8	2.7	11.0 "	121	9	140	155	5.81
South Minnesota	26.7	3.0	8.9 "	126	...	...	145	...
Dallas	22.7	2.5	9.0 "	124	10	150	170	5.88
Banker's Milwaukee	15.7	1.2	13.1 "	126	4A	127	135	3.37A
Des Moines	15.0	1.15	13.0 "	109	4A	130	140	3.50A
Virginian	15.0	1.0	15.0 "	130†	10‡	8¼	9	5.55
First Carolinas	10.7	.75	14.2 "	125	8	125	135	5.93
Denver	9.3	1.0	9.3 "	115	8	130	140	5.71

*Millions. †$5 par, $130 is equivalent value based on $100 par. ‡50 cents on $5 par.
A Based on Jan. 1st payment of $1. Not definite annual basis.

Fake Official Announcements

Guarding Against the Pitfall of False Statements—What Can Be Done About It?

By LELAND M. ALDRICH

> ### *How American Woolen Shareholders' Hopes Were Shattered*
>
> ***On June 12, 1924, after repeated optimistic statements on the condition of the American Woolen Co., former Pres. Wood stated in the Boston News Bureau that though the business of the company was not good at that time, nevertheless it had "accumulated a surplus sufficient to carry the dividends."***
>
> ***On Sept. 5, 1924, the directors met and passed the dividend and gave the following as an explanation of the omission: "In view of the severe depression in the textile business, it was deemed advisable to omit at this time the usual dividend on the common stock. When conditions warrant, dividend on the common stock will be resumed." Nothing in this statement was said about the surplus to which President Wood had referred several months before as being sufficient to carry the dividend. When the American Woolen shareholders read President Wood's statement, they must have been greatly encouraged. What were their feelings when several months later the dividend was passed?***

MR. JOHN JONES, president of the American Wooden Leg Corporation, when interviewed by the reporter of the *Town Blat* today, states that there is no truth in the rumors floating about that his corporation will merge with the Cork Leg Corporation and that the matter has not been discussed at any of the meetings of the board of directors. American Wooden Leg Corporation stock immediately drops off about 2 points in the market and the "small fry" are patting themselves on the back that they got out before the crash came.

Next day, or the day after, one may possibly pick up the same paper and read that announcement is made of the merger of the American Wooden Leg Corporation and the Cork Leg Corporation to form a new corporation to be known as the American Wooden and Cork Leg Corporation, with Mr. Jones to be chairman of the board, and Mr. So and So as president. Stockholders are asked to turn in their shares for the shares of the new corporation on the basis of 1½ shares of Wooden Leg Corporation for 1 share of the new stock and the stockholders of the other corporation on an even basis, share for share. American Wooden Leg stock closed the day before at 50 but the day after this announcement, opens up in a large block at 60. If you have been one of the suckers you know how it feels.

Or it may have been this way. So and So announces from the threshold of the boardroom where the directors have met for the purpose of deciding whether the common dividend will be continued or not, that his company is sure to pay said dividend. The directors meet and pass the dividend and you didn't sell the stock when you had intended to; consequently, it shows you a loss of about 10 points in a few days.

The excuse is made later that an irresponsible party made the announcement or that when the directors analyzed the financial condition of the company and took into consideration the outlook for future business they deemed it wise to "conserve the assets of the company for the benefit of the stockholders." A good many investors have felt the sting of such action and have often wondered whether it was justified or not.

Various methods of reform are being waged for the protection of the investing public. Bucket shops are gradually being eliminated, most states scrutinize security offerings and license salesmen, leading exchanges are more rigid in their listing requirements, and best of all, financial publications like THE MAGAZINE OF WALL STREET are blazing a trail in educating the public to invest intelligently. But every thinking person must admit that there is very little done to combat the occasional dishonest announcements emanating or credited with emanating from officials of some of our large corporations.

Of course, it is human to err sometimes, but it is generally pretty self-evident as to what was a genuine mistake or whether it was tainted, by the promptness with which a statement may be retracted or corrected. While it may be true that violations of the confidence of stockholders are not so flagrant as in the past, still, a careful scrutiny of so-called official announcements, as printed over a given period, will convince anyone that there is still room for improvement in stamping out this evil. The public is interested in knowing what can be done to combat these false official statements.

Personally, I would not be on record as a stockholder in a corporation which has made or does make such announcements because as long as the same officials are able to dominate the policy of the board of directors, I naturally have no way of knowing that there will not be a repetition of the act.

Many officials seem to be so short-sighted as to imagine that the public of today is as gullible as a few years ago. A concern with so little vision will sooner or later find that its list of stockholders is shrinking instead of increasing. The market also will ultimately record this sentiment in terms of points and what was initial gain may be a permanent loss.

It takes about five boosters to undo the knocks of one knocker. Don't be a sucker stockholder any longer, but invest in that corporation which will voluntarily keep you posted regarding its condition in appreciation of your confidence as a stockholder. The United States Steel Corporation and the North American Company are two good examples, but there are many more.

Another remedy would be for reliable publications, and, especially, the daily newspapers, to adopt a little more conservative policy with regard to so-called news of the "Street." It appears from close observation that the "daily" may be a little too keen for news and headlines without proper regard for the

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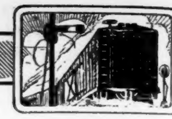
RAILROADS



Merger Outlook for Southwestern Roads

Excellent Showing by Roads Operating in Southwest—Latest Merger Developments—How the Stocks Compare

By VINCENT GUY SANBORN

Five Southwestern Roads Compared

	Miles Operated	11 Mos. Gross Earnings 1924-1925 in millions		11 mos. net Earning 1924-1925 in millions		Earned per Share Common		Price Range 1925		Recent Prices
						1924	1925*	High	Low	
Rock Island	8,072	119.8	119.4	15.5	15.7	$4.36	$5.00	58	40	57
St. Louis-San Francisco...	5,257	82.3	86.3	19.2	20.3	11.05	15.00	102	57	99†
Kansas City Southern...	854	19.3	19.3	3.6	4.1	3.81	6.6	51	28	48
St. Louis Southwestern ..	1,777	23.7	23.6	1.9	1.9	8.40	8.30	69	43	68
Missouri-Kansas-Texas ...	3,193	51.7	52.2	4.7	5.3	4.30	5.60	45	28	41

*Estimated. †Pays $7 div.; yield at present price, about 7%.

RIGHT now everything's Nickel Plate and Congress, but before long some more real news on consolidations is due to come out and this time it will not be from the East but from the Southwest.

The activity toward new southwestern railroad groupings already has fanned speculative ardor to a marked degree and this has been accomplished during only the preliminary phases of this merger. Within a comparatively short time it is expected that Nickel Plate will be safely and satisfactorily out of the way and further that Congress will have reached its momentous decision regarding consolidations. This should, and no doubt will, be the signal for formal announcement of a plan for the exchange of shares of three southwestern railroads, approval of which plan will make Kansas City Southern the nucleus for a new 11,000-mile system composed of Missouri-Kansas-Texas and St. Louis Southwestern, or "Katy" and "Cotton Belt" as Wall Street knows them.

Another and later merger in the Southwest looms up in the future as a result of the recent acquisition by St. Louis-San Francisco of a substantial stock interest in Rock Island. As in the case of Kansas City Southern's movement toward a larger system it is still possible that other bits of mileage may be added from time to time.

In many ways, the Southwest is the most interesting section of the country right now. The huge Missouri Pacific System, with its 15,000 miles, has moved forward by leaps and bounds since its creation was authorized by the Interstate Commerce Commission and nothing but good things are heard regarding the efficiency of its operation and the soundness of its financial advice.

Earning statements for the individual roads in that section of the country are uniformly favorable and the outlook for the current year is in every way satisfactory. Another and perhaps more potent factor enters into this situation, however, and that is the merger possibilities on top of all else. Given a sound situation and the added attraction of appreciation in the price of the roads' shares because of a consolidation movement and you have a well-nigh unbeatable combination.

KANSAS CITY SOUTHERN

First then, the Kansas City Southern, which is in line to be "king of the roost" in the new order of things. Here is a road which has risen from a more or less unenviable position where it was generally known as "a right of way and two streaks of rust," to a plane where it stands as one of the most highly cultivated bits of railroad mileage in the country. Its earnings are satisfactory and the management has shown amazing ability to keep expenses in tune with prevailing conditions.

Merger Possibilities

The road has two classes of stock —the preferred on which an initial dividend of 4% was declared out of earnings of the fiscal year ended June 30, 1907. A quarterly dividend of 1% was added the following October, but since then the rate has been maintained without a break at the 4% rate. No dividends have ever been paid on the common shares.

A short time ago, when the news first came out that a plan was being worked out for merging three of the southwestern roads, Kansas City Southern common stock enjoyed a steady advance. The belief appeared to be that since that road was taking the initiative in the merger, the shares of the company should be more attractive than those of the other lines. From sources close to those who are running off the party it is claimed that no basis exists for any belief that Kansas City Southern will receive a better deal than the other roads. It is understood to be the aim of the management to put through a plan which will appeal to all parties interested because of its utter fairness to all. *Kansas City Southern shares on merger possibilities are in an interesting speculative position.*

ROCK ISLAND

The new alliance between Rock Island and 'Frisco came to light after several days of guesswork on the part of Wall Street. The financial district knew that the executive committee of 'Frisco was in session to whip into shape an important step in consolidations. Speculation was general as to what the plans would be. Talk ranged all the way from a discussion of the possibilities for a move by 'Frisco against Kansas City Southern because

'Frisco was not included in the Loree group to an equally strong conviction on the part of some that Missouri Pacific was planning to take 'Frisco into its already large family.

A Pet Theory

Rock Island already has figured in the Kansas City Southern situation through the sale of its "Cotton Belt" holdings to the latter last fall. At the time of the sale, the rather natural question was asked as to why Rock Island bought the "Cotton Belt" stock in the first place and to this the explanation was made that it was the desire on the part of Rock Island's management to keep that road out of unfriendly hands. An adverse report last summer on Rock Island's purchase of "Cotton Belt" stock may also have had something to do with its apparent readiness to relinquish the position it had taken.

The announcement that 'Frisco had taken a stock interest in Rock Island was regarded as constructive and a real solution of the problem of the disposition of the former line. The Southwest is big enough to support three systems such as Missouri Pacific, Kansas City Southern and 'Frisco-Rock Island and it is to be expected that the position which 'Frisco has taken in Rock Island's affairs will result eventually in a consolidation similar to that which is being worked out for Kansas City Southern.

Earnings Situation

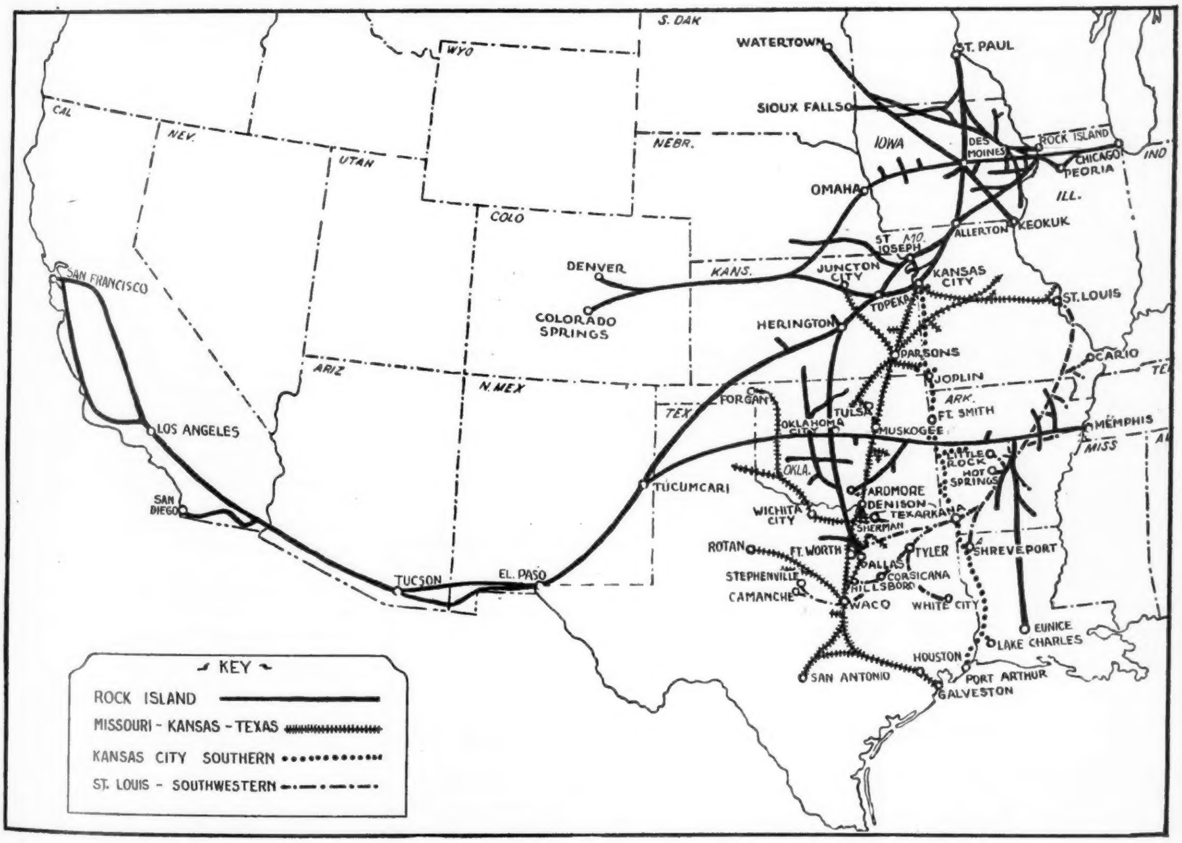
Rock Island's earnings are good in comparison with last year and the position of its stock shows that it is well liked in the speculative community. Last year's earnings—when reported—are expected to amount to about $5 or more a common share. The first preferred pays 7% semi-annually while the second preferred pays 6%. No dividends have ever been paid on the common stock since the company was organized. With Rock Island's merger possibilities, it will pay investors to keep a close watch on this road's stocks. *Still, the stock at present levels is not quite so attractive as others in the same group.*

ST. LOUIS-SAN FRANCISCO

'Frisco's position is unique in that it sports a perfectly good 7% common stock which thus far has lacked the ability to stay above par once it has reached that dizzy height. The course of 'Frisco's rise to prominence has been rapid. 'Frisco has about everything in the world except a well balanced financial structure. Wizards with the pencil and pad have shaken their heads overmuch because of the fact that the line's total funded debt is more than five times the capital stock. In the face of this situation 'Frisco can show as good a management and as aggressive an operating organization as any road in its territory. Last year 'Frisco earned $15 a share on its common stock which pays 7% as mentioned before. Its preferred stock pays 6%. An initial dividend on the common stock at a 5% rate was paid in January of last year and this rate was increased to 7% in October.

Stock Outlook

When Kansas City Southern bought into "Katy" (Missouri-Kansas-Texas) the seers and others joined in the belief that this marked the beginning of a new southwestern consolidation which would include 'Frisco and "Cotton Belt." The Street has seen part of this forecast work out, but not as far as 'Frisco is concerned. Kansas City Southern interests were not eager to take over 'Frisco because this acquisi-



News of the acquisition of Rock Island by 'Frisco was wholly unexpected. This sudden development, however, is amply described in the text. Because of mechanical difficulties we were unable to change the above map to exhibit the new alignment. Nevertheless, as shown in the map, the connection of the Rock Island with the three Southwestern roads whose merger possibilities are discussed in this article, gives increased significance to the new situation which is worthy of careful study by the holders of these securities.

tion would make for an unwieldly system.

'Frisco, it appears, seems perfectly happy to remain by itself for the time being. The fact remains, however, that it is an important road in the Southwest and the Southwest is a hive of merger activity right now. *The stock again appears ready for an advance to higher levels, as justified by earnings and dividends.*

That seems to clear up that part of the Southwest not directly concerned in the formation of the new Kansas City Southern. Of course, when you come down to the southwestern merger rails, all "dope" is likely to go by the boards in the face of developments at present only guessed. No formal announcement of the intention of Kansas City Southern interests to put across their merger has as yet been given to the Street but it is understood that the entire proposition has been before the commission in an informal way for a year or more. The way things have worked out since the first news story was printed have borne out this belief. As the different steps have been taken the necessary approval has been forthcoming without any hitch whatever. This makes it appear as if the whole plan were being run on a definite schedule.

ST. LOUIS SOUTHWESTERN

The "Cotton Belt" directorate has been changed since the Kansas City Southern purchased the shares held by Rock Island. The latter now has several members who are able to make known the wishes of the new interests. Earnings on St. Louis Southwestern last year were about equal to the level recorded in 1924. Net should show about $8 per share earned on the common stock which pays no dividend.

What Is Dividend Outlook for Common Stock?

"Cotton Belt" common is selling quite a bit above the levels reached by "Katy" and Kansas City Southern and the stock has been active, so active in fact that rumors have been circulated to the effect that plans are under way to put the junior shares on a dividend basis. This is not taken seriously in circles close to the Kansas City Southern. It will be recalled that when the terms for the Nickel Plate were being negotiated, a gentlemen's agreement was entered into between the Van Sweringens and the boards of the Erie and Pere Marquette which precluded any change in the going dividend rates on any of the roads for a certain period during which the backers of the merger were pushing their plan to completion. A similar situation no doubt has been provided for in the case of the southwestern merger.

Those who stand out and try to put across a combination of roads have enough on their hands without being forced to worry that one of the roads with which they are dealing will come out and upset the applecart by increasing a dividend rate or else declaring an initial dividend where no payment previously had been made. *"Cotton Belt" should fare well under the proposed merger. The attractiveness of the shares, however, relies mainly on these possibilities.*

MISSOURI-KANSAS-TEXAS

"Katy" was the first road tapped for the new consolidation. This happened about a year ago and the move caught the Street completely by surprise. An attempt was made to laugh down the first stories published to the effect that Kansas City Southern had secured virtual control of "Katy," but this effort soon died out in the face of the intense interest which was aroused by the latest development on the merger horizon. No further proof of the position which Kansas City Southern had taken in "Katy" was needed than that furnished at the last meeting of the directors of the latter road. A "Katy" directors' meeting usually lasts about half an hour. The last meeting was in session more than three-quarters of an hour and no signs of breaking up were visible when in walked Otto Kahn, of Kuhn, Loeb & Co. Mr. Kahn stayed about fifteen minutes and the meeting broke up shortly thereafter with the announcement that the regular quarterly dividend had been declared on the preferred stock.

Conversion of Adjustable 5s Not Likely Now

Prior to the meeting, considerable talk had been heard of an effort to put the preferred on a 7% basis. That the attempt was made was testified to by one of the directors. That the attempt failed showed full well the position which the backers of the Kansas City Southern mergers had taken in "Katy" affairs. An increase in the rate on "Katy" preferred, in addition to throwing out of balance the preliminary basis determined upon for the exchange of stocks of the three roads in the new merger, would have put the management in a position where it would have been faced with the necessity of accepting for conversion some $56,000,000 of adjustment mortgage 5% series "A" bonds. This was not deemed advisable by the new interests.

"Katy's" earning position is satisfactory and the territory served by the road holds out the hope that the current year will prove favorable. The common stock is selling somewhat below the junior shares of either Kansas City Southern or Cotton Belt, but in the merger plans it is believed that "Katy" stockholders, like those of the other roads involved will receive a fair and square deal at the hands of those behind the consolidation. *The stock, however, is not especially attractive at the current higher levels.*

Situation in Washington May Cause Mix-up

Here are three prosperous roads operating in a prosperous part of the country. Their managements are of the best and their amalgamation should meet with approval. Just now these consolidation plans are slowing up but this is due to outside conditions and not to any failure of the principals to agree on the work already done. Procedure may become rapid at any time, although it is believed that the backers may decide to "lie low" on the chance that the commission may announce at an early date its decision in the case of Nickel Plate and the further and possibly more remote chance that the new consolidation legislation being mapped out by Congress may be ready for a final vote before long. Any and all of the roads mentioned in this story should keep faith with those who "go along" with them in their forward march.

Dividend Outlook for Leading Groups of Stocks

Our Annual Dividend Forecast appears this time in two sections, the first, covering Railroad and Public Utility companies, in the February 13 issue; and the second, covering companies operating in the miscellaneous industrial, petroleum and mining fields, will appear in the February 27 issue. The dividend prospects for practically all the leading companies, whose shares are listed on the N. Y. Stock Exchange, will be given together with specific comment on each security.

BONDS

THE bond market during the past two weeks has been of a more interesting nature than for some time. Undoubtedly, the increase in the rediscount rate of the Federal Reserve Bank of New York, followed so closely by the required change in the report of loans made by member banks in this district giving in detail the amount of loans outstanding on stocks and bonds, resulted in a great deal of selling of stocks by investors and speculators, who feared this government activity portended a determination to check as far as possible speculative activity in the stock market. Consequently, considerable liquidation was witnessed; and undoubtedly a great number of people who liquidating their stocks felt the urge of being extremely conservative at this time and place funds in the bond market. In doing so, through continued caution, they chose high grade issues, apparently content to receive small yields pending the development of the situation. The demand was particularly noted in the high grade railroad division of the market. Such issues as underlying liens of the Union Pacific, Baltimore & Ohio, and other first class bonds improved their price position whereas heretofore transactions in these securities resulted in very insignificant fractional changes. Chesapeake & Ohio convertible 5s were liquidated for two reasons; one due to the fact that next spring the conversion feature will not be so attractive, owing to conversion price for the stock being 100 instead of 90, which, of course, affects the value of the bond. In our previous issue, we pointed out the advisability of taking profits in the Chesapeake & Ohio convertible 5s.

Junior rails did very little in the market, although some of them, notably the bonds of the New York, New Haven & Hartford, St. Louis & San Francisco, etc., were well bought on slight recessions.

Public utility bonds were strong and active. New York tractions were in demand, especially the Brooklyn, Manhattan Transit 6s and Hudson & Manhattan refunding and income mortgage 5s. Investment demand for Hudson & Manhattan issues was due to the excellent showing of increased earnings. There was some selling of Interboro Rapid Transit bonds, following intimations of a future possible receivership in a statement by one of the Transit Commissioners, but further reflection convinced the speculative and investing public of the improbability of such action. High grade electric light, gas and power securities were strong, reaching better levels than for some time.

Purchases of bonds should be confined to carefully selected securities which, on basis of their intrinsic merit as well as earnings and income, warrant the judgment that they are selling behind other issues not entitled to any greater consideration from the investment viewpoint.

Bond Buyers' Guide

(Bonds listed in order of preference)

High Grade

(For Income Only)

Non-Callable Bonds:		Apx. Price	Apx. Yield	¶ Int. earned on entire funded debt
Great Northern Genl. 7s, 1936	(c)	111	5.55	2.85
Atlantic & Danville 1st 4s, 1948	(a)	78	5.75	....
Western Union Telegraph Co. 6½s, 1936	(a)	112	5.00	e 1.75
New York Edison Co. 6½s, 1941	(b)	115	5.10	3.30
Chicago & Northwestern 7s, 1930	(b)	107	5.05	1.80
New York Dock Co. 4s, 1951	(a)	81	5.35	2.70
Callable Bond:				
Armour & Co. Real Estate 4½s, 1939	(a)	91	5.50	....
Laclede Gas Light Coll. & Rfd. 5½s, 1953	(c)	103	5.30	1.41

Middle Grade

(For Income and Profit)

Railroads:				
Cuba R. R. 1st 5s, 1952	(a)	91	5.65	2.45
St. L. & S. F. Prior Lien 4s, 1950	(c)	78	5.70	1.25
Western Pacific 1st 5s, 1946	(c)	97	5.25	2.40
New York, Ontario & Western Rfd. 4s, 1992	(a)	69	5.85	2.00
Missouri Pacific 1st & Rfd. 6s, 1949	(b)	103	5.75	1.20
Baltimore & Ohio Convertible 4½s, 1933	(b)	95	5.35	1.35
Baltimore & Ohio Rfd. 5s, 1995	(b)	95	5.25	1.35
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	99	5.05	1.10
Boston & New York Air Line 4s, 1955	(a)	74	5.85	....
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	94	5.45	1.90
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	104	5.60	1.50
Rutland R. R. 1st 4½s, 1941	(a)	86	5.90	1.75
Industrials:				
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	109	6.05	2.20
Sinclair Pipe Line 5s, 1942	(b)	89	6.10	g 2.50
Goodrich, B. F., Co., 1st 6½s, 1947	(b)	105	6.10	e 2.40
California Petroleum Corp. 6½s, 1933	(c)	104	5.80	4.80
International Paper Co. 5s, 1947	(a)	95	5.40	3.50
U. S. Rubber 5s, 1947	(c)	93	5.50	2.05
Bethlehem Steel Co. 5s, 1936	(a)	96	5.50	f 2.30
Armour & Co. of Del. 1st 5½s, 1943	(c)	95	6.00	....
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	102½	5.80	g 1.25
Cuba Company 6s, 1935	(b)	96	6.60	e 7.00
Consolidation Coal Co. Rfd. 5s, 1950	(a)	83	6.40	2.00
Public Utilities:				
Manhattan Railway Cons. 4s, 1990	(a)	60	6.70	g 0.90
Amer. Water Works & Elect Corp. Col. 5s, 1934	(c)	96	5.30	2.40
Ohio Public Service 7s, 1947	(c)	111	6.10	f 2.00
United Fuel Gas 6s, 1936	(b)	102	5.75	e 7.00
Hudson & Manhattan Refunding 5s, 1957	(c)	94	5.40	2.60
American Gas & Electric 6s, 2014	(c)	99	6.05	2.00
American Power & Light Deb. 6s, 2016	(c)	97	6.20	3.00
Kansas Gas & Electric 6s, 1952	(b)	102	5.85	1.80
Commonwealth Power Corp. 6s, 1947	(c)	103	5.75	4.50
Manitoba Power Company 7s, 1941	(c)	104	6.60	....
Market St. Ry. 7s, 1940	(b)	98	7.20	2.30

Speculative

(For Income and Profit)

Railroads:				
Erie Genl. Lien 4s, 1996	(b)	68	5.90	1.31
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(c)	94	6.50	1.25
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	94	5.40	1.10
International Great Northern Adj. 6s, 1952	(c)	73	6.10	....
Chicago Great Western 1st 4s, 1959	(a)	64	6.75	0.85
Western Maryland 1st Mtg. 4s, 1952	(a)	69	6.50	1.20
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	90	6.10	....
Industrials:				
Pan. Amer. Petroleum & Transport Conv. 6s, 1934	(c)	108	4.80	25.00
Cuba Cane Sugar 7s, 1930	(c)	94	8.80	2.15
International Mercantile Marine 6s, 1941	(b)	86	7.55	2.50
American Agricultural Chemical Co. 7½s, 1941	(b)	105	7.05	....
Warner Sugar Refining Co. 1st 7s, 1941	(c)	95	7.60	....
Public Utilities:				
Empire Gas & Fuel 7½s, Series "A," 1937	(c)	102	7.20	3.30
Brooklyn-Manhattan Transit 6s, 1968	(c)	94	6.40	f 1.50
Chicago Railways 1st 5s, 1927	(a)	81	16.00	1.08
Hudson & Manhattan Adj. Income 5s, 1957	(b)	77	6.80	2.00
Interboro Rapid Transit 5s, 1966	(a)	64	8.10	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	58	7.40	i 1.35

¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operation of railroads.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (c) Lowest denom., $100. (d) Lowest denom., $50. e Average last three years. f Average last two years. g Average last four years. i Does not include interest on adjustment bonds.

Opportunities in Convertible Bonds

An Analysis of Leading Convertible Bonds—Three Attractive Issues with Promising Prospects

THE convertible bond, as its title indicates, is one which may be exchanged, at the option of the holder, for some other security of the issuing company. This conversion right sometimes applies to a junior bond or a preferred stock. In the great majority of cases, however, the conversion privilege applies to common stock.

Such a bond, obviously, combines the qualities of an investment and a speculative security. Corporations which, for one reason or another, have occasion to raise funds, oftentimes find the convertible bond an advantageous means for securing new capital. By offering the bondholders a right to exchange their security for, say, common stock, the borrowing company is enabled to appeal to the speculative desires of the purchaser. This has the effect of permitting a bond issue to be sold at a lower rate of interest or of allowing the issuer to float debentures or junior liens where it would otherwise be compelled to offer a higher yield and greater security to attract buyers.

An Advantage to Issuing Companies

From the borrower's standpoint, the convertible bond possesses another desirable quality. Companies whose credit standing would not admit of financing through the medium of preferred or common stocks may accomplish the same end by the instrumentality of a convertible bond issue. Assume, for example, a bond which is exchangeable for common shares. As the market price of these shares reaches and passes the conversion figure, holders of the bonds are tempted to exchange their bonds for common stock and thus realize a profit.

Obviously, this procedure automatically relieves the borrower of its bonded debt and the obligation of interest charges. In other words, common stock capitalization is substituted for the liability attached to a fixed, interest bearing security and the corporation's position strengthened accordingly.

Not all bondholders can be induced to exercise their right of conversion immediately, even though the conversion privilege should become immensely profitable. Hence, the market price of such a bond may be forced to heights far above its true investment level. Fluctuations in the bonds will then be in close harmony with those of the stock and the bonds become speculative in the same degree as the stock for which they may be exchanged. Chesapeake & Ohio 5s and Delaware & Hudson 5s, described in the accompanying table, are good examples of this condition.

It follows that, by virtue of its dual nature as an investment and speculation, the convertible bond is a security which must be judged by two standards. It must first be scrutinized from the viewpoint of its desirability for bond investment purposes. Secondly, a careful appraisal must be made of the position and prospects for the common stock into which it may be converted.

Especially important is the examination of these bonds from the viewpoint of relationship between possible redemption price and market price. As a rule, bonds are issued subject to the right of the issuer to call them in at a premium. In other words, the borrower reserves the right to retire its bonded debt before maturity should it feel that conditions justify such a course. As compensation for the disturbance of the investor's commitment, a premium is usually paid over and above the face value of the bonds that are called.

Where convertible bonds carry such a redemption clause, caution is especially necessary. Should the market have carried the bonds above the call price, due weight must be given to the possibility that these bonds may be redeemed at the lower figure. If, at the same time, the conversion privilege has become valuable, due to a rise in market value of the junior security above the conversion point, the situation becomes still more complicated.

In this case, quite frequently, the issuing company will find it advantageous to call its bonds for redemption, using the call right as a club to force bondholders to convert or assume the loss involved in giving up their bonds at a price under the actual market quotation.

Sundry other factors enter into the question of desirability of individual convertibles, but these will suggest themselves by a careful review of the appended table with comments upon leading issues and by study of the following analyses. The rise in common stock values during the past year or more has reduced the number of opportunities among convertible bonds, although several issues are still desirable and others will bear watching. Three of the more attractive convertible bonds are reviewed in the following brief sketches.

It may be observed, in conclusion, that one of the most interesting features of the convertible bond is the opportunity it affords the bondholder for participation in net profits of a growing company. This quality, in fact, sets the convertible bond apart and frees it from the objection raised against the straight investment bond, whose fixed income return is incapable of keeping pace with the rising cost of the things with such income is designed to purchase.

MISSOURI KANSAS TEXAS. Adj. 5s

This relatively small southwestern railroad has shown commendable results since its reorganization in 1922. Physical condition has been improved to a material extent in the past few years and the character of its freight traffic has undergone a change permitting a considerable gain in net operating income. Reorganization permitted "Katy" to eliminate much of its formerly unprofitable mileage. While funded debt was increased somewhat, the substitution of adjustment mortgage bonds for a portion of the former fixed interest bearing securities strengthened the company's financial structure.

The adjustment mortgage 5s of 1967, of which 55.81 millions are outstanding, are secured by lien on the company's property subject to approximately 98.4 millions of prior liens. Interest on these adjustment 5s is payable only if earned, but in view of the earning power developed since 1922, the issue appears reasonably well secured and is attractive solely on its own merits as a spec-vestment.

These bonds, however, are convertible into Series A preferred stock of the road, at any time prior to January 1, 1932, in the ratio of $1,000 face value of bonds for ten shares of preferred stock. The preferred shares are now receiving dividends at the rate of 5% per annum and dividends become cumulative at the rate of 7% after Jan. 1 '28.

Earnings of Missouri-Kansas-Texas amounted to $10.90 a share for this preferred stock in 1923 and $22.70 in 1924. Last year, net was equivalent to approximately $21 a share, on the basis of results for the first ten months. It is apparent that the road could readily afford to place this issue on the full $7 dividend basis, in which event the adjustment mortgage bondholder would realize a higher return by exercising his conversion privilege.

(Please turn to page 676)

Leading Convertible Bonds

Name of Bond	Convertible into	Convertible at	*Conversion Profitable above	Recent Price Security into which Conv.	Recent Price of Bond	Yield %	Redeemable at	COMMENT
Amer. Agricultural 1st. 5s '28	6% Preferred	$100.	$103.	$92	$103	3.90	$105	Conversion possibilities limited by near maturity. Yield too low for investment. Stock the better commitment for speculation.
Amer. Beet Sugar Deb. 6s '35	Common	[1]50.	47.50	34	99	6.15	†105	Attractive second-grade investment bond. Conversion feature may have value in future.
Anaconda Copper Deb. 7s '38	[2]Common	[3]53.65	[4]55.65	50	105	6.40	110	Desirable medium-grade investment. Good yield and holds out possibilities for profit in conversion.
Barnsdall Corporation 8s '31..	Class B com.	40.	42.	28	105	6.80	†104	Sound medium-grade investment with potential value in conversion clause but holder must be alert to possible call for redemption.
Chile Copper Col. Tr. 6s '32.	Common	35.	37.80	35	108	4.45	110	Bonds unattractive as investment at these levels. Direct commitment in the stock preferable.
Chesapeake & Ohio Sec. 5s '46	Common	[5]90.	124.	124	138	§3.62	†105	Price now wholly dependent upon market action of stock. Bonds not attractive for purchase.
Cuba Cane Sugar 7s '30......	Common	45.88	43.12	10	94	8.50	†105	Bonds reasonably well protected and attractive as spec-vestment. Conversion feature has only remote possibilities.
Cuba Cane Sugar 8s '30.....	Common	45.88	45.36	10	98	8.50	†105	Identical with 7s in every respect except coupon rate.
Delaware & Hudson 5s '35..	Common	[6]150.	169.50	164	113	3.40	105	Position of bonds now wholly influenced by movements of stock. Stock now the better purchase.
Dodge Bros., Inc. 6s '40.....	Class A com.	[7]50.	[8]48.50	45	97	6.35	†110	Afford good yield. Desirable investment having speculative possibilities in conversion feature.
Eastern Cuba Sugar 7½s '37	Cuba Cane Sugar Com.	20.	21.	10	105	6.85	†107	Underlying obligation of Cuba Cane Sugar which guarantees principal and interest. Stronger investment and more attractive conversion right than Cuba Cane bonds.
Erie Railroad Series D 4s '53	Common	[6]50.	42.	37	84	5.10	..	Yield rather low for bond of this grade. Moderately attractive as speculation due to call on Erie common. Will be exchanged for 8 shares Nickel Plate common if merger is approved.
Granby Cons. Mng. Deb. 7s '30	Common	25.	26.75	21	107	5.35	105	See text.
Inter. Tel. & Tel. 5½s '45...	[9]Common	125.	136.25	120	109	4.80	†105	See text.
Midland Steel Prod. 7s '38 ..	8% Part. Pfd.	[10]100.	126.	126	126	4.20	†107½	Unlisted bond selling far above call price and offering too low yield to be attractive. Preferred stock the better commitment in view of this situation.
Missouri-Kan.-Tex. Adj. 5s '67	7% Preferred	[11]100.	94.	94	94	5.35	..	See text.
N. Y., N. H. & H. Deb. 6s '48	Common	100.	98.	44	98	6.15	..	An attractive, semi-speculative bond. Affords good income return. Position of road improving but conversion right has only remote prospects.
Norfolk & Western 6s '29...	Common	100.	152.	152	152	§3.94	..	Rise in common has forced bonds far out of line as investment. Stock now the better holding.
Pan American P. & T. 6s '34	Class B com.	70.	74.90	68	107	4.95	103	Position of bond influenced by close proximity of stock to conversion price. Not attractive for immediate commitment but worth watching.
Pan Am. P. & T. Eq. 7s '30..	Class B com.	103.62	110.88	68	107	5.05	†105	Conversion right not attractive. Strong short term investment bond. Desirable purchase only on reaction below call price.
Pressed Steel Car 5s '33	Common	100.	97.	75	97	5.55	100	Sound investment bond. Conversion clause may prove valuable before maturity of bond issue.

*Figures in this column show price above which junior security must sell to make conversion feature valuable on basis of current prices for each convertible bond.

†Redemption price decreases during remaining life of bond.

§Straight yield.

[1]Convertible after Feb. 1, 1929, @ $60; after Feb. 1, 1930, @ $70.

[2]Conversion privilege expires Feb. 1, 1933.

[3]First 10 million dollars of bonds convertible @ $53; price increasing $3 a share for each 10 millions thereafter.

[4]For first 10 million dollars of bonds presented.

[5]Conversion price $100 per share after April 1, 1926. Privilege expires April 1, 1936.

[6]Convertible up to Oct. 1, 1927.

[7]For next 5 million dollars of bonds presented. Next 5 million convertible @ $60 and final 5 millions @ $70.

[8]For next 5 million dollars of bonds presented.

[9]Convertible only after March 1, 1926, and before Sept. 1, 1935.

[10]Convertible after May 1, 1927, @ $105.26, and thereafter to May 1, 1931, @ $111.12.

[11]Convertible prior to Jan. 1, 1932.

Giving New Life to Gas Industry

New Important Factors Have Altered Prospects of These Companies Considerably for the Better

	Funded Debt (Millions)	Preferred Stocks (Millions)	Common Stock (Shares)	Net Tangible Assets Per Share Common	Earned Per Share Common	1925 High	1925 Low	1926 Recent	Dividend	Yield %
Consolidated Gas of New York	50	15	3,600,000	$107	$7.40	97	74⅛	98	$5	5.1
Con. Gas, El. Light & Power of Balt.	57.8	12	701,288	36	5.00	47⅞	31½	50½	2.50	4.9
B'klyn Union Gas	21.4	..	511,880	67	1.17	100¼	75½	77¾	4	5.1
People's Gas Light and Coke	88.4	..	423,500	134	11.10	122¼	112	118	8	6.8
Laclede Gas Light	30.5	2.5	107,000	90	15.35	178	110¼	168	4	2.4

FOR many years, investors have continued to believe that the gas industry would show a consistent decline, and that ultimately gas would be superseded entirely by electricity. It would be hard to assign any reason for this belief, which has lost many a golden opportunity to investors who so hastily acted on this fallacious assumption. Possibly, some investors have come to believe that the rise of a new industry always means the supplanting of an older industry occupying the same field. Like the fabled Phoenix, it is thought that new life can only arise from the ashes of the dead. But, just as the New England textile mill has not been "declining" merely because the South has been advancing, and just as the radio has not destroyed former musical reproduction devices, so it is in the relations of gas and electricity. The latter, being the younger industry, has focused attention on its greater rate of growth, but the latter has grown also. Those who have been in a fast railroad train passing a slower train going in the same direction can remember the illusion that the slower train is actually going back. And it is true that in the one industrial use in every home, viz: lighting, the electric light has come into direct competition with gas and has beaten it.

But gas has grown mightily, and it is today almost as important as electricity, and will continue with electricity to be one of the two great public utilities. Gas sales have risen from 200 billion cubic feet in 1914 to 421 billion cubic feet in 1925. In ten years, the gas industry has grown more than it grew in the previous century of its existence.

Per capita use of gas has risen by about 50% in this decade. New customers total about 400,000 per annum. This is largely due to growth of cities, but it is also due to the great increase in domestic use of gas especially for cooking and heating.

But the greatest part of the gains were in the industrial uses. Industrial sales of gas have increased over 1,000% in the last ten years. Where such uses in 1914 were about 5% of sales they are now about 27%. Industrial uses are going ahead at a much faster pace than all domestic consumption, and ought to show at least as great a rate of growth in the next ten years. This would result in their being the main source of gas revenues before 1935. Any fuel that is tied up with industrial growth is in effect a case of "betting on the United States."

When this time comes, and with the present certainty that domestic cooking and heating uses will increase at the rate prevailing from 1915 to 1925, or nearly at that rate, it follows that lighting will be a negligible feature of gross revenues. Hence, the future of gas companies is only slightly concerned with lighting revenues. Incidentally the consumption of gas for lighting purposes is in nowhere near the plight that outsiders think. In many communities, it is even advancing considerably.

New uses of gas, of principal importance are: first, as a fuel in manufacturing; second, as a fuel for domestic heating and cooking; third, in refrigeration; and, lastly, in the production of coke and other by-products. The first two uses are already considerably advanced, so that we can predict their growth, the latter two are likely to spring great surprises in the gas revenues, and may be considered the speculative attraction.

As a fuel used in manufacturing, gas competes with electricity. But the average cost of electricity is fully three times that of gas. Heat efficiency of electricity derived from coal is about 15% while in the case of gas it is 85%. The best that electrical engineers hope to do is to obtain 18%, whereas gas may go well above 90%. But many have believed that electricity derived from water-power may successfully compete. However, were all this power to be employed for heating alone, without reference even to profits, such power could heat only 4% of American homes, let alone take care of any industrial uses whatsoever.

As for oil it is bound to grow progressively more expensive as wells in the United States decline, and as we have to go further and further afield for petroleum. At any rate, automobile and allied demand alone can snap up the present demand, leaving available small supplies for competition with gas. On a cost basis, it is today, however, still a competitor for a part of the business.

If electricity still competes, it is largely due to inefficient appliances which have hitherto been used in gas heating and which are rapidly being superseded. So soon as gas companies rival electrical companies in the at-

tractiveness and efficiency of their apparatus so soon will we see spectacular gains in the industrial consumption of gas fuel.

It is interesting to note that there are about twenty thousand trade processes carried on by gas, whereas, say, in 1900, perhaps 95% of these uses were not even suspected.

In the case of house heating, while great progress has been made, as many as 400 boilers a year being installed in New York, for example, it remains true that until certain problems are solved this house heating will not be sufficiently cheap to compete actively for the extermination of the coal furnace. The principal objection has been that a tremendous amount of gas must be manufactured and kept in holders all the year, for use for only half the year. The cost of this "extra load" is the principal reason why rates have not been attractive, and above all why many of the greatest gas companies are not taking or soliciting any such business.

If a use could be obtained in summer for this excess gas capacity in order to take up some of the surplus from winter demands, it would probably revolutionize the gas industry. To a certain extent, this use has been found, and the speculatively inclined will find the principal attraction of the industry therein.

Gas refrigeration, or rather the refrigeration of iceboxes by anhydrous ammonia, absorbed or adsorbed from gas generating engines, is this great development. Anhydrous ammonia is 200% as efficient as sulphur dioxide, the chief agent of compression, or electrical refrigeration. The gas engine is silent. It is more reliable than any electrical device that requires constant repairs, and "service." There is no motion in the machines, so that children need not be warned to stay off. What is more important, it is cheaper in operation, and never grows more costly. It does not follow that in such a young industry that there is not much room for both types, for neither has done more than scratch the surface. But the greater future ought to remain with the gas refrigerators. This, in turn, should greatly cheapen house heating, and thus extend special rates for such use. It would be hard to predict the percentage of gain ultimately resulting from these two factors, but the future of such uses may even surpass the great industrial growth.

In the sale of coke, left as a residuum after manufacture of gas, the companies are doing a larger business. Where 85% of coal is converted into gas, and the residue sold as coke the efficient derivation of heat from coal exceeds 100%, from a revenue standpoint. As for chemical by-products such as tar, etc., the sale of these is beginning to show importance. Hitherto the companies have restrained themselves from pushing the chemical business too far for fear that such profits might be invoked to interfere with the prevailing rate structure. But the organization of subsidiary chemical companies, with fluctuating profits, would probably give both the companies and public service commissions a basis for determining the long term net profit to be derived from such sources.

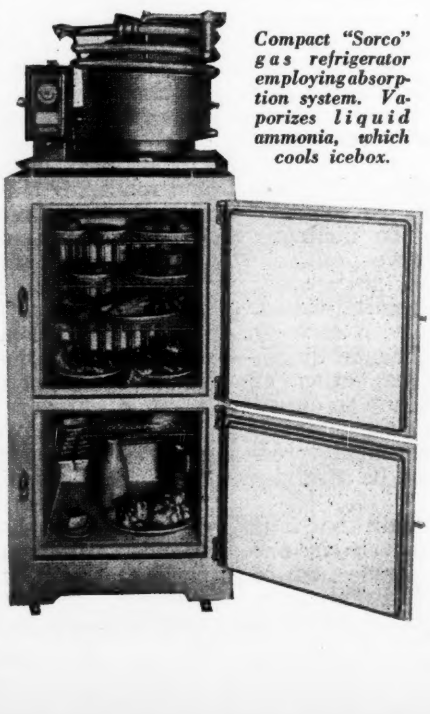
Operating cost and producing cost is also declining per unit of gas produced. Coal gas for this reason is growing at a faster rate than carburetted water gas. The only increasing costs noted are in those districts where natural gas has been purchased for mixing with coal gas. Such companies inevitably face higher costs on natural gas. But the process is slow, and in the meantime, since such companies are almost always in the heart of coal districts, efficient utilization of cheap fuels will eventually supersede such losses.

It is also to be noted that most of the larger gas companies are actively engaged in electrical utilities. In many cases, electrical revenues have come to be larger than gas revenues. Hence, in buying so-called "gas stocks" the investor is also buying into a second utility. The name "gas stocks" should not be taken to mean only one source of revenue.

In speaking of gas companies it is best to eliminate such great gas systems as are in effect large holding companies for every type of utility and other investment. For this reason such strong and attractive stocks as those of United Gas Improvement and Massachusetts Gas Companies have been eliminated from this discussion. Operating companies will show the industrial situation much more clearly.

People's Gas Light and Coke

People's Gas Light and Coke Co. of Chicago, which has a monopoly of gas business in that city, is rapidly becoming the center of a super-gas system. Such systems are somewhat akin to the super-power systems prevailing in the electrical field. It has now a daily capacity of 160 million cubic feet. Its gas storage facilities alone are 88 million cubic feet. The credit of the company is illustrated by its recent sale of 13 millions in the first and refunding bonds of its subsidiary, the Chicago By-Products Coke Co. on a 5.30% basis. The common stock pays $8 and yields about 6.8% at prevailing price of 118. This makes it possible to finance the company by stock instead of by heavy fixed-charge obligations.



Compact "Sorco" gas refrigerator employing absorption system. Vaporizes liquid ammonia, which cools icebox.

People's Gas Light came splendidly out of the slough of the war period. After paying dividends continuously from 1894 to 1917, high costs compelled it to suspend dividends from 1918 to 1922. Its dividend rate of $8 in 1924 was based on earnings of $11 per share. Increase in gas sales in 1925 to almost 33 billion cubic feet should result in a great increase in net earnings per share, although capital stock has been increased in 1925 by about 10%. Net tangible assets per share, as a result of this 10% increase have been reduced to $134, on the basis of 1924 valuation. It is interesting to note in this connection that investment is carried at 113 millions, and that the rates are based on a valuation of 87 millions. If the company obtains a valuation of 168 millions, which it is aiming at, the position of the stock, whether in assets or in earnings, by reasons of consequent enhanced rates will be greatly advanced. Present rate is 95 cents, which is below that prevailing in New York.

Great gains in house heating (for which a special rate prevails), and in industrial use characterize People's Gas more than any other company. The stock seems distinctly underrated.

Laclede Gas Light

Laclede Gas Light serves the entire city of St. Louis, without competition. Its daily capacity is now 38 million cubic feet. Its great industrial and house heating expansion in 1925 compelled the erection of a new holder with a capacity of 2 million cubic feet, as well as the laying of 74 miles of new mains. Its electricity sales for 1925 have reached the total of 45 million kwh.

Laclede is a highly progressive gas company. Its new holder, of the waterless type is the first in the United States. Alone among American companies it has a battery of coke-ovens using the economical Belgian process. It is installing new producers in its coke-oven plants, thus releasing coal gas, and giving the company fully 5 million cubic feet capacity additionally. Its gain in 7% in mains this year is another indication. Stockholders in Laclede will undoubtedly participate to the full in benefits arising from all technical advances in the industry.

Laclede will face a valuation inquiry on February 6. Book value is 42 millions, Laclede is claiming reproduction worth of 48 millions, which the city is opposing. Its initial rate of $1 per 1,000 cubic feet,

(*Please turn to page* 673)

A New Road to Profit in Securities

A Unique Plan for Combining the Advantages of Diversification and Concentration

DIVERSIFICATION, says one group of investment students, is the surest guarantee of safety. According to the formula of diversity, as championed by this school, the investor should spread his capital over a broad group of security commitments and thereby invoke the well known law of averages to protect the whole. In other words, the proponents of this theory contend that if you broaden the scope of your operations sufficiently, the possible losses resulting from a certain percentage of your purchases will be offset by probable profits in others. The net result will be that the total investment will show relative stability and attain a high degree of safety.

Carnegie's Dictum

On the other hand, an eminent capitalist of Scottish extraction, whose name has long since been inscribed on the roll of the financial immortals, one Andrew Carnegie, once gave utterance to the following venerated remark: "Put all your eggs in one basket and then watch the basket."

Indisputably, adherents of these divergent schools have good grounds for their own particular beliefs. In both theories there is a definite measure of investment truth. How then, is the ordinary mortal to determine which of these alternatives to pursue in planning his own investment policies? Should he follow the dogma of the first school and diversify, or should he emulate the famous Scotsman, who so brilliantly piloted the former Carnegie Steel Company from impotent infancy to lusty manhood, and concentrate? Or would it be wiser to extract what is best from each and adopt a middle of the road policy combining the precepts of both teachers?

No broad generalization is possible. The answer to these questions is subject to material qualification. A plan which may be distinctly beneficial to one investor might prove positively harmful to another. One must take into account the size of the capital available to the individual, his familiarity or lack of contact with security markets, income from other sources, mental limitations, facilities available for investigation of values, time for study of conditions, and so on, ad infinitum. A whole host of related circumstances, which only the experienced investment practitioner can properly diagnose, should be carefully considered.

Exponents of diversification maintain that it is dangerous to tie up capital exclusively in one investment and thus risk all on a single turn of fortune's wheel. To them, the life insurance company, the savings bank and the British type investment trust are eloquent examples of the successful application of diversity to investments. The idea, indeed, is not limited to these few institutions. Many of the largest industrial corporations (DuPont, Ford, United Fruit, and the like) have expanded their field of activities to cover a wide range of enterprises.

These enthusiasts are prone to overlook the fact, however, that management plays a most important role in the successful application of diversification. That which is an eminently sound policy for these large institutional investors, with their experienced corps of investigators, may be wholly beyond the reach of the individual.

To state the case most forcibly, the investor with a fund of but $1,000 would, obviously, experience insurmountable difficulties in attempting to secure the same relative degree of diversification as one with $100,000 to invest. The former must decide between savings bank safety and a four per cent return, or some reasonably safe bond and a possible 5½% yield.

It may seem an injustice to the small investor that participation in the higher yield and profit-making opportunities of less secure investments are closed to him. The middle course, that of investing in some sound, medium-grade bond, yielding 6%, is still possible. But here, again, there is limited room for appreciation in the value of his capital and little at all for an increase in income.

Another Angle to Diversification

But while diversification is all very well for the large investor, when carried to extremes it may well lose its efficacy. Then too, a plan of diversification can be no more definitely fixed than business conditions and these are constantly changing. In other words, the inevitable march of progress is constantly pushing new industries to the fore and rendering old processes obsolete. Diversification, therefore, must be flexible.

Today, the investor whose first thought is stability may select securities among the railroads or public utilities. For profit, perhaps his choice would fall among the oils, steels, electrical refrigeration, and so on. But tomorrow—what? To be effective, even the best scheme of diversity must be susceptible of revision to meet new conditions.

While entirely laudable, therefore, diversification is desirable for the average man only within limits. Those limits must be determined by the individual's peculiar circumstances. If he would apply personal supervision to his holdings, then diversification should be held within reasonable bounds to be fixed by the time, facilities and experience which can be brought to bear upon the problem. It were better to diversify among five securities, which can be carefully checked up from

Turn to succeeding two pages for a number of specific examples of how "combination" investments are worked out.

time to time, than to scatter one's a t t e n t i o n among twenty that can only be studied superficially.

This is a partial concession to the pupils of Mr. Carnegie's theory of the one basket, that of knowing one investment thoroughly and concentrating accordingly. Admittedly, specialization may prove an acceptable substitute for the advantages of diversity. Fortunes have been built in this fashion, as its great sponsor has completely demonstrated.

Nevertheless, few average men are so favored by circumstance that they may achieve this enviable ability to concentrate. None but the "insider" has access to the facts so vital to the safeguarding of large capital in an unmixed commitment.

Shall We Compromise?

The conclusion is forced upon us that a compromise policy is the most acceptable for all ordinary purposes, since neither extreme concentration nor too great diversification are acceptable or desirable. Combination or group investments provide the logical solution. Such combinations meet the requirements of the large investor who desires manageable diversity and of the more moderately circumstanced security buyer who would attain a fair measure of safety and prospects for enhancement in his capital.

As here employed, the term combination investments is intended to designate commitments covering all the principal securities—bonds, preferred stocks and common stocks—of a given company. Diversification, on the other hand, usually implies a distribution of purchases to include, perhaps, the bond of one company and common stocks of another, with an eye to the spreading of capital among a large number of industries.

The effect of the combinations outlined herewith is to give the holder a number of security groups, diversified in respect to the different classes of security issues of each company. Inter-industry diversification may be added by combining one or more of these individual groups, as the investor may elect.

Thus, the buyer of the Public Service Corporation of New Jersey group would have a 6% bond for safety, an 8% preferred stock for attractive yield, and a dividend paying common stock for probable price appreciation and eventual increase in income return. By selecting two, three or four additional groups, say an oil, steel and railroad, a wider degree of distribution can be accomplished.

In this manner, the holder of any selected combination is enabled to concentrate attention upon a considerably smaller number of companies than would be the case where his commitments are scattered among the stocks and bonds of a great variety of unrelated corporate issues. At the same time, no material sacrifice is made to the god of diversity.

These group, or combination, investments, accordingly, represent an attempt to answer the call of the investor who would secure the desirable qualities of safety, inherent in sound bonds, and the profit-making possibilities of attractive common stocks. To do this, it is obviously necessary to choose each group carefully with a view to making selections among those companies that are still growing, or whose securities are still relatively undervalued for one reason or another.

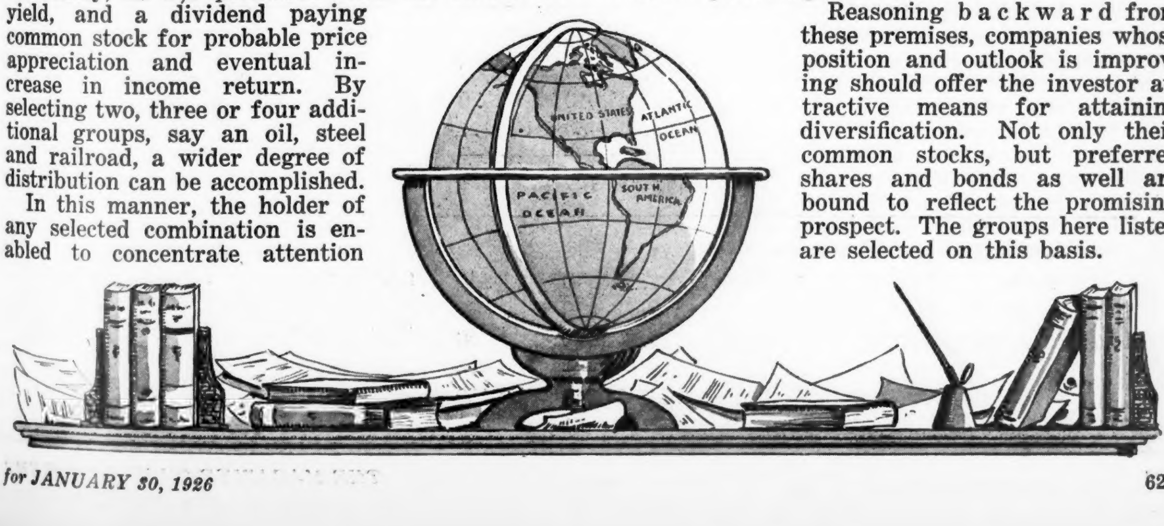
The deeper theory underlying these combinations will, doubtless, be evident from a review of the accompanying tables. All types of securities, in the last analysis, are dependent upon earning power. This is true of bonds no less than stocks. Too frequently, a mortgage bond is regarded as a safe investment simply because the pledging of a company's assets, to protect the bondholders, is considered a safeguard of the principal invested in that bond.

Earning Power the True Guide

A moment's consideration will show, however, that the assets of the strongest institution may be wasted. Prolonged business depression and an attendant string of operating deficits, shrinkage of inventory values, or unwise distribution of working capital in the form of excessive common stock dividends have been known to seriously impair the equities of bondholders. The depletion of assets may proceed so far as to reduce a formerly sound investment bond to the status of a speculative common stock.

When this condition obtains, bonds fluctuate very much the same as stocks in response to changes in earning power and the outlook for maintenance or default of interest payments. It follows that a company whose junior securities are approaching a less and less favorable position are to be examined cautiously to determine whether its bonds are likely to be affected by the virus which is poisoning the common shares.

Reasoning b a c k w a r d from these premises, companies whose position and outlook is improving should offer the investor attractive means for attaining diversification. Not only their common stocks, but preferred shares and bonds as well are bound to reflect the promising prospect. The groups here listed are selected on this basis.



Fifteen Attractive

For Income

Amount / Company	Approx. Cost	Cash Income	Comment
Abitibi Power and Paper Company			
$1,000 General Mortgage 6s, 1940	$1,000	$60	Attractive, unlisted bond of prominent Canadian paper manufacturer. Extensive holdings in water power. Earnings average over 4 times interest needs in last 6 yrs. Could pay larger common divs.
10 shares Common Stock	720	40	
Total	$1,720	$100	Yield, 5.81%.
American Sugar Refining Company			
$1,000 15-year 6s, 1937	$1,030	$60	Restoration of common div. last year reflects improving outlook. Bonds and preferred stock should gradually work back to former investment standing. Common has good, long pull, speculative possibilities.
10 shares 7% Cum. preferred stock	1,030	70	
10 shares Common stock	760	50	
Total	$2,820	$180	Yield, 6.38%.
Armour & Co. (Illinois)			
$1,000 Armour of Delaware 1st 5½, 1943	$950	$55	Group commitment offering exceptional yield. Bonds guaranteed by Armour of Illinois. Out of line with bonds of similar investment quality. Room for price appreciation in preferred and common stocks.
10 shares Armour of Ill. 7% cu. pfd	910	70	
30 shares Armour of Ill. Common, Class A	750	60	
Total	$2,610	$185	Yield, 7.09%.
Anaconda Copper Mng. Co.			
$1,000 1st Consol. S. F. 6s, 1953	$1,020	$60	Group investment, combining reasonable stability of income through medium of two bond issues and possibilities for long pull profit in common stock and conversion feature of 7% debenture bonds.
$1,000 15-yr. Conv. Deb. 7s, 1938	1,050	70	
20 shares Common stock	940	60	
Total	$3,010	$190	Yield, 6.31%.
Baltimore & Ohio R.R.			
$1,000 Ref. & Gen'l. Ser. C 6s, 1995	$1,050	$60	Combination partaking largely of investment quality. Bonds should sell higher to bring yield into conformity with other issues of the road. Common in line for higher dividend.
15 shares 4% Non-cum. preferred stock	1,020	60	
10 shares Common stock	910	50	
Total	$2,980	$170	Yield, 5.70%.
Bethlehem Steel Corporation			
$1,000 Cons. S. F. Ser. A 6s, 1948	$970	$60	Income derived from bonds and preferred stock will permit holder to carry speculative commitment in common without undue reduction of income while company is developing its earning power.
10 shares 7% Cum. preferred stock	1,010	70	
10 shares Common stock	480	..	
Total	$2,460	$130	Yield, 5.28%.
Brooklyn-Manhattan Tr. Corp.			
$1,000 Secured S. F. Series A 6s, 1968	$940	$60	Desirable medium-grade investment group. Common stock has largely discounted immediate possibilities but still has long-range prospects. Preferred stock and bonds have not kept pace, marketwise, with steady gain in company's earnings.
10 shares $6 Preferred stock	830	60	
10 shares Common stock	570	30	
Total	$2,340	$150	Yield, 6.41%.

Security Combinations

and Profit

Amount Company	Approx. Cost	Cash Income	Comment
Bush Terminal Company			
$1,000 Consol. Mtge. 5s, 1955	$920	$50	Bonds selling out of line with investments of similar grade. Company has relatively stable earning power. Debenture stock should appreciate in value with further seasoning. Group yield likely to increase eventually in view of com. div. possibilities.
10 shares 7% Cum. Debenture stock	890	70	
20 shares Common stock	400	..	
Total	$2,210	$120	Yield, 5.43%.
Byers (A.M.) Co.			
$1,000 1st Mtge. S. F. 6s, 1945	$1,000	$60	Wrought iron pipe and pig iron producer with good average earning power. Bonds unlisted, which appears to account for lack of better investment recognition. Earnings running at rate to justify speculative improvement in price of com. shares.
10 shares 7% Cum. participating pfd	995	70	
10 shares Common stock	360	..	
Total	$2,355	$130	Yield, 5.52%.
Hudson & Manhattan R.R.			
$1,000 1st Lien & Ref. Mtge. 5s, 1957	$940	$50	Gradual but persistent increase in earnings should eventually carry 1st mortgage bonds to higher grade investment class. Income bonds and preferred stock have yet to fully discount their attractiveness from yield standpoint, while common also affords generous return, though early div. increase is not anticipated.
$1,000 Adjustment Income 5s, 1957	770	50	
10 shares 5% non-cum. preferred stock	720	50	
20 shares Common stock	740	50	
Total	$3,170	$200	Yield, 6.31%.
Mid-Continent Petroleum Corporation			
$1,000 1st 15-yr. S. F. 6½s, 1940	$1,020	$65	Decided improvement in financial condition and earnings last year not yet reflected adequately in market valuation of senior securities. Income from these will carry speculative commitment in common which has good prospects.
10 shares 7% Cum. Conv. preferred	950	70	
10 shares Common stock	340	..	
Total	$2,310	$135	Yield, 5.85%.
Northern Pacific R.R.			
$1,000 Ref. & Imp. Ser. B 6s, 2047	$1,090	$60	Combinatic holding offering good income return with room for enhancement in market valuation, based upon improving prospects.
10 shares Common stock	730	50	
Total	$1,820	$110	Yield, 6.04%
Philadelphia Company			
$1,000 1st Ref. & Coll. Trust 6s, 1944	$1,040	$60	Established utility property of proved earning power, and solid asset values. Substantial investment group, available at uninflated prices. Common has merit as long-pull spec-vestment.
20 shares 6% Cum. preferred stock	960	60	
10 shares Common stock	630	40	
Total	$2,630	$160	Yield, 6.08%.
Public Service of New Jersey			
$1,000 Secured Gold 6s, 1944	$1,010	$60	Expansion in earning power of this utility, serving large and growing industrial section in New Jersey, has proceeded more rapidly than improvement in market position of bonds and preferred stock. Prospect for higher common div., which would increase net yield.
10 shares 7% Cum. preferred stock	1,050	70	
10 shares Common stock	880	50	
Total	$2,940	$180	Yield, 6.12%.
Reid Ice Cream Corporation			
$1,000 5-yr. 6% Notes, 1930	$1,000	$60	Consolidation of successful ice cream companies whose senior securities possess investment merits not yet fully appreciated by investors. Earnings for common running at rate nearly 3 times current div., foreshadowing ultimate increase in payments.
10 shares 7% Cum. preferred stock	980	70	
10 shares Common stock	520	30	
Total	$2,500	$160	Yield, 6.40%.

Prospects for Leading Railway Equipment Companies

Pointers for Investors and Those Speculatively Minded

PERHAPS the market prospects and investment possibilities in the leading equipment issues may be best summed up something as follows:

(1) The railroads are well supplied with cars and locomotives. For the past year, a record breaking traffic has been handled without any conisderable car shortages and at all times with a surplus of tractive power. Traffic could not be increased much further, however, without making necessary fresh purchases.

(2) Reports to the American Railway Association indicate that the physical condition of equipment is good. Only a few unimportant systems are "below standard" in the number of "bad order" cars and locomotives.

(3) Railroad executives are placing more stress on efficiency of equipment than perhaps ever before. Locomotives are hauling more cars per train and daily loadings per car in service are higher than ever. A smaller number of cars and locomotives is required to do the same amount of work.

(4) Important changes, aimed to reduce fuel costs, are going on in the design of locomotives. Some roads have been delaying purchases, pending the testing out of new models and certain revolutionary types of oil-electric engines.

(5) Locomotive orders in 1925 were 1,274 against 1,626 in 1925 and 2,182 in 1923. As a result, locomotive producers have been operating for the past year at a very low rate of capacity, and the two leading companies in 1925 probably did not earn preferred dividend requirements.

(6) Although freight car orders in 1925 dropped below 100,000 for the fifth time in 25 years, being only a little more than half of orders in 1922, most of the car makers made money and earned common dividends. The position of the roads as to car equipment, however, probably now is better than their position as to tractive power.

(7) For the past three years makers of equipment accessories generally have enjoyed a good business. Car repair companies, and the car repair divisions of car making companies, have been able to report good earnings.

(8) Due to the Interstate Commerce Commission's orders to install automatic train control devices, the producers of signal devices are enjoying a substantial business which promises to last two or three years longer.

(9) All of the equipment companies, with perhaps three minor exceptions, are in exceptionally strong cash position. The fifteen companies discussed below at present hold about $200,000,000 in cash and securities, at least half of which represents working capital not needed in the regular conduct of business. This makes for dividend security and creates the possibility of liberal extra dividends.

(10) The railroads, now enjoying excellent profits and supplied with sufficient working capital or credit to take care of all needed improvements and additions, no longer will delay needed purchases of equipment as they did for some years after the war.

(11) The price position of the leading equipment issues is decidedly mixed. Some of them have participated broadly in the bull market, and some are selling only a little higher than two years ago. Thus any discussion of the equipment stocks is necessarily a discussion of particular and specific situations rather than a group discussion.

The following short analyses provide an up-to-date picture of the leading companies.

AMERICAN LOCOMOTIVE

By paying the regular dividend of $8 a share and an extra of $10 a share on the 500,000 shares of common in a year when not even the $7 dividend on the 250,000 shares of preferred was earned, American Locomotive in 1925 reduced its net working capital from 48.6 millions to about 38 millions. Although the biggest locomotive producer enters 1926 with cash enough to permit declaration of another substantial extra, those closest to the company seem to think that stockholders will not receive more than the regular $8 return on the common this year. For the long pull the outstanding speculative attractiveness of the stock is the probability of further extras.

Even more important, especially from a long pull investment point of view, American Locomotive, in conjunction with Ingersoll-Rand and General Electric, has under development an oil-electric locomotive which is expected to accomplish such a large saving in fuel costs as to be revolutionary. Several of these engines already are being tested in actual use, and should they come up to expectations orders to follow may make low operations at the company's plants practically unknown for a number of years.

Because of its established trade position in an essential industry and almost impregnable cash status, American Locomotive's common stock may be regarded as quite permanently on an $8 dividend basis. As an $8 stock it easily is worth the current price even without the unusual speculative possibilities outlined. The market, therefore, is discounting only to a very slight degree the possibility of further extras and the possibilities in the oil-electric locomotive. *The preferred is a very high grade investment, and the common presents good speculative possibilities.*

BALDWIN LOCOMOTIVE

A short time ago President Vauclain stated that about 65% of Baldwin's activities now are established at Eddystone and about 35% remain at Philadelphia. He said further that it would cost about $12,000,000 to move the rest of the plant, and thus make possible sale of the Philadelphia real estate which consists of 19½ acres of land in the heart of Philadelphia, about five blocks from the City Hall. This property is appreciating rapidly in value, and when it is finally sold there ought to be a splendid melon for the 200,000 shares of common stock. Baldwin also has a new type of locomotive, but it does not seem to be as far developed as that of its biggest competitor.

In dull times, Baldwin's management has not hesitated to reach out for the more speculative foreign business which American Locomotive has shunned, and as a result its net working capital position, although very strong, is not as liquid as that of American, and the company holds a considerable investment in foreign government bonds some of which are in the more speculative category. This makes the stock rather sensitive to political developments in some foreign countries. However, it is only fair to say that so far no substantial losses have been suffered, and the chances are that most of the obligations will be met.

Baldwin probably did not earn preferred dividends in 1925, but it enters 1926 with $14,000,000 unfilled orders operating at nearly 40% capacity with promise of a gradual improvement in plant activity. In 1926, the $7 dividend on the common should be earned by a margin.

For a company as large, with such a strong trade position, with such large liquid and fixed assets, and with a normal sales volume of nearly $100,000,000, Baldwin has a decidedly low capitalization, 200,000 shares of common

200,000 shares of preferred and $8,802,000 funded debt.

Although the common is one of the more speculative industrials, both in market habits and in fundamentals, it has good possibilities of appreciation at the recent price around 125 compared with a low of 104¾ since 1922. The preferred presents good investment values, but is not as high grade as American Locomotive preferred.

LIMA LOCOMOTIVE Like its two larger competitors, Lima Locomotive Works will not make a very good showing as to earnings in 1925 but orders thus far indicate a much better showing for 1926. Lima earned $7.11 a share in 1924 and $11.24 a share in 1923. Its record over a period of years reveals a somewhat more dependable earning power than that exhibited by the two larger companies. At the end of 1924, current assets ($4,870,000 cash and securities) were $8,607,748 against $1,241,917 current liabilities.

Lima is turning out one of the most modern locomotives of the type now in use, and is in a strong competitive position in the big engine field as well as in logging locomotives, in which it has specialized for years.

Given a good locomotive year, Lima, without much doubt, would increase its rate of dividend payment. This is one reason why the yield offered by the current price of the stock is a bit low. The stock is a conservative speculation, and the present dividend may be regarded as strongly protected.

AMERICAN CAR & FOUNDRY American Car & Foundry Co., closely affiliated in management with American Locomotive in which it owns a substantial block of common stock, is the largest manufacturer of rolling stock. In the six months ended October 31, 1925, net earnings applicable to the 600,000 shares of common stock after dividends on the 300,000 shares of $7 preferred were equal to $1.76 a share, but in the full fiscal year to end April 30, 1926, the $6 dividend on the common should be more than earned. Net was $6.77 a share in 1925 and $7 a share in 1924. In the ten years ended April 30, 1925, net averaged $9.89 a share on the present no par stock, each share equal to two shares of the old stock outstanding until last year when capitalization was readjusted without any increase in the aggregate annual dividend on the common.

Like American Locomotive, American Car & Foundry is in very strong financial position. Current assets at the end of last April (27.5 millions, cash and securities) were 52 millions against 15 millions current liabilities. This brings up the possibility of extra dividends in addition to the regular payment, and puts the common in the semi-investment class. The car business, although it has its ups and downs, is less variable than the demand for locomotives.

American Car & Foundry common is not selling at a depression price, but is bound to reflect appreciation in American Locomotive because of its large interest in that company, and, as stated, might pay extra dividends. The preferred is one of the highest grade preferred stock investments, and the common possesses good possibilities of appreciation. It is worth observing that American Car & Foundry has earned its present dividend rate in every year since 1916.

RAILWAY STEEL-SPRING Making steel springs, steel tired car wheels, car wheels, steel bars, tires and special shapes as well as some cars, the business of Railway Steel-Spring is more stable than that of some of the car and locomotive builders. After the pending two for one split up and the coming 50% stock dividend, it will have 405,000 shares of common outstanding preceded by 135,000 shares of $7 cumulative preferred and no funded debt. It is proposed to pay $4 per annum on the new stock, equivalent to $12 a share on the old which has paid $8 per annum since 1918. Net earnings in 1925 probably were about $3 to $4 a share

Fifteen Equipment Stocks

	Net Per Share 1925x	1924	1924-1926 High	Low	Recent Price	Dividend	Approx. Yield %
LOCOMOTIVE COMPANIES							
American Locomotive	DEF.	$9.80	144⅞	70⅛	114	$8.00e	7.0
Baldwin Locomotive	DEF.	DEF.	146	107	125	7.00	5.6
Lima Locomotive	DEF.	7.11	74⅝	56	65	4.00	6.2
CAR MAKERS							
American Car & Foundry	6.00a	6.77b	115¼	76¼	112	6.00	5.4
General American Tank Car	4.00	4.16	60	35½	53	3.00	5.7
Pressed Steel Car	7.00	2.43	79¾	39	74	None	None
Pullman Company	16.00j	14.29j	173½	113½	170	8.00	4.7
EQUIPMENT ACCESSORIES							
American Brake Shoe	14.00	11.24	164½	76	167	6.00	3.6
American Steel Foundries	4.25	4.61c	47½	26¾	45	3.00	6.7
Gould Coupler A	2.00	3.78	23	18⅞	20	2.00	10.0
New York Air Brake	4.00	4.13	57	31½	41	2.00	4.9
Railway Steel Spring	10.00	6.44	182	106	170	8.00d	4.7
Symington	.50	1.75	20⅞	10½	13	None	None
RAILWAY SIGNAL DEVICES							
General Railway Signal	5.00	3.33c	84⅝	28¾	80	4.00	5.0
Westinghouse Air Brake	8.50	7.71	144	84	118	6.00f	5.1

NOTES: a, Year ending April 30, 1926; b, Year ended April 30, 1925; c, on basis present common capital; d, Dividend on new stock will be equal to $12 share on present stock; e, Also paid $10 extra in 1925, f, Also paid $1.00 extra in 1925; j, Fiscal years ending July 30, 1925 and 1926 respectively. x, Estimated net earnings, actual figures not yet available.

on the new stock compared with $2.21 a share on the new in 1924, $5.91 a share in 1923 and $3.41 a share in 1922. For the past ten years the new dividend rate, on the average, has been earned by a 25% margin.

Current assets at the end of 1924 were 15.2 millions (11.3 millions cash and securities) against $787,581 current liabilities. Financial status reveals why the directors are willing to pay out such a large portion of average earnings in cash dividends. In real good years more than $4 a share probably will be paid.

The common seems high enough. The preferred ranks with that of American Locomotive and American Car & Foundry as an investment issue.

PRESSED STEEL CAR Although one of the larger car builders, Pressed Steel Car has a rather irregular record, and has not kept itself in as strong a financial or competitive position as some of the other companies. Earnings last year, after interest on the $8,400,000 funded debt and dividend requirements on the 125,000 shares of $7 non-cumulative preferred, were equal to about $8 a share on the 125,000 shares of common on which no dividends have been paid since June, 1924. This compares with $2.43 a share in 1924, $6.65 a share in 1923, $5.45 a share on the preferred in 1922 and $13.25 a share on the common in 1921. The common paid $8 a share in 1919 and 1920, $7.75 a share in 1918 and $7 in 1917. In view of earnings, dividend policy always has been liberal.

Partly to clear up knotty legal points over the back dividend rights of the preferred, now a trifle obscure, it is planned to make the preferred a cumulative issue, and rumor has it that the common will obtain a 20% stock dividend as a compensation for consent to the change.

Pressed Steel Car preferred must be regarded as speculative, since dividends had to be passed altogether in the middle of 1924 and were resumed only last year. At current prices, however, it is a fair speculation provided present earning power can be approximately maintained and if it is to be made cumulative. The common, though it probably will resume dividends sometime in 1926, is not particularly inviting.

GENERAL AMERICAN TANK CAR General American is the largest manufacturer of tank cars and a large maker of cars of all kinds. In addition to manufacturing operations it leases to users a fleet of over 10,000 tank cars. It has never had an unprofitable year. Dependable earning power, high asset values and financial strength explain why the stock sells around 53 even though established earning power is not much above $4 a share and there is little prospect of a higher dividend than the present $3 annual rate.

The preferred represents good medium grade investment value, and the common has good present and long pull possibilities. On June 30 current assets were 11.9 millions against 2.6 millions current liabilities.

PULLMAN CO. Since acquisition of Haskell & Barker at the beginning of 1922, the Pullman Company has been one of the important manufacturers of rolling stock as well as operator of parlor and sleeping car services on most of the American railroads. Earnings from the 8,500 cars in operation are more than sufficient to pay the $8 dividend on the 1,350,000 shares of capital stock (the only capital liability) maintained without interruption for more than 25 years. Earnings from the manufacturing subsidiary, therefore, should make a higher dividend rate, or generous cash extras, possible. From time to time there is talk of a segregation.

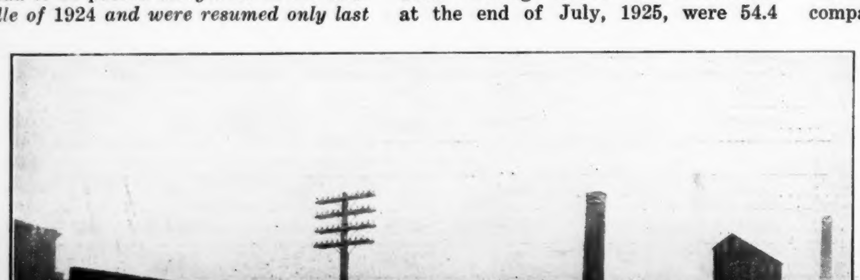
Pullman earned $11.68 a share on the stock in the year ended July 31, 1925, and should do even better in 1926. Total holdings of cash and securities at the end of July, 1925, were 54.4 millions, equal to better than $40 a share on the stock.

The car service business has possibilities of further expansion as every user of Pullman facilities knows from experiences in obtaining accommodations. Last year's manufacturing company earnings were $5.01 a share on Pullman's capital stock, but only $2.40 a share, the amount received in dividends by the parent company from the manufacturing subsidiary, was included in the income account; so Pullman's real earnings last year were about $14.29 a share against $11.68 a share reported. In a good year the equipment subsidiary might earn more than the car service branch of the business. Net profits of $16 to $20 a share on Pullman, therefore, are quite within the realm of possibility.

In view of its established and prospective earning power, the stability of the car service part of the business, and the company's remarkable cash holdings the stock does not seem too high at around 170, though other stocks in this group offer better opportunities.

AMERICAN STEEL FOUNDRIES American Steel Foundries supplies repair materials for locomotives and rolling stock, and makes equipment parts. The trend in the industry in recent years has been in its favor, for the carriers have been putting unusual emphasis on equipment condition, in many cases reducing fresh purchases in consequence. Net earnings in 1925 were about $4.25 a share on the 902,745 shares of common after dividends on the 89,513 shares of $7 preferred. The common stock has paid $3 per annum since 1919, and during this time has distributed a stock dividend of 18% and recapitalized the common stock (in 1925) so as to effect a 25% stock dividend. Thus, for the past five years holders have received an excellent return in increased dividends and in appreciation of principal.

Like most of the other equipment companies, it is strong in cash. Hold-



New Product of the Locomotive Industry

The Oil-Electric Locomotive is the product of the American Locomotive Co., General Electric Co., and Ingersoll-Rand. Photo shows 100-ton locomotive recently delivered to the Long Island Railroad.

ings of cash and equivalents at the end of March, 1925, were more than 14 millions against 6.5 millions inventories and 3.9 millions total current liabilities. It is officially stated that operations now are about 60% of capacity and increasing steadily. Probably 1926 profits will be as good as those realized in 1925.

The preferred stock is redeemable at 110, and could be eliminated by cash now in hand without depleting net working capital to the danger point. The common, offering a yield of nearly 6½%, is attractive as a conservative business man's investment. The present dividend, although requiring a larger cash distribution than formerly, seems well secured and could be increased. The advance in this stock does not seem to have exhausted its possibilities.

AMERICAN BRAKE SHOE & FOUNDRY Earnings in 1925 of around $14 a share on the 154,918 shares of common after dividends on the 95,385 shares of $7 preferred recently led the directors of American Brake Shoe & Foundry Company to increase the dividend on the common from $5 to $6 per annum. Net working capital at the end of 1925 is estimated at around $10,000,000 against 8.1 millions at the end of 1924 when cash holdings at 2.2 millions were in excess of total current liabilities at 1.9 millions. The moderate dividend increase is illustrative of the conservatism of the management. Only about 25% of the business is the manufacture of brake shoes, other lines being car wheels and special steel castings for the motor and other industries.

Dividends have been paid on both the common and preferred stocks without interruption since 1902, and it is difficult to conceive of a situation arising which might lead to suspension of payments. The stock at about 160 reflects the belief that eventually there will be some kind of a split up resulting in substantially higher annual payments to holders of the common. However, it seems high enough for the present.

NEW YORK AIR BRAKE Because earnings in recent years have been only about equal to dividend distributions, and due, perhaps, to a change in policy following the death of a high official, New York Air Brake in September reduced its dividend rate on the common from $4 to $2 a share. Earnings last year are estimated at around $3 a share on the 200,000 shares of common after regular $4 dividend payments on the 100,000 shares of class A stock which is a participating issue in dividends over $4 a share on the common. Profits have fluctuated widely in the past, being $4.13 a share on the combined class A and common in 1924, $8.42 a share on the combined stocks in 1923, and $2.79 a share on the common in 1922, but in that cash and securities were more than

(Please turn to page 663)

Preferred Stocks

THE drastic decline in prices for common stocks was without effect on preferred stock values. As a matter of fact, sound investment stocks, on the whole, improved their previous price position, the only notable exception being the Chesapeake & Ohio convertible 6½s, which declined three points owing to the selling of the common stock and the lower value therefor, the preferred being convertible into common. In the middle-grade division, National Cloak & Suit preferred suffered depression but at present prices appears attractive. Among the semi-speculative stocks, Consolidated Cigar Corporation preferred distinguished itself with an advance of around four points. A similar gain was made by American Cyanamid preferred recently introduced in our "Preferred Stock Guide."

Preferred stocks still appear attractive, especially in the case of issues which are well protected by both assets and earning power.

Preferred Stock Guide

(LISTED IN ORDER OF PREFERENCE)

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named.

SOUND INVESTMENTS

	Div. Rate $ per Share	Approx. Price	Approx. Yield	Times † Dividend Earned
INDUSTRIALS:				
General Motors Corp....................(c)....	7	115	6.1	(y) 5.1
Cluett-Peabody & Co. ....(c)....	7	104	6.7	3.5
Loose-Wiles Biscuit Co. 1st..............(c)....	7	112	6.3	2.5
Studebaker Corporation ....(c)....	7	123	5.6	20.00
Schulte Retail Stores Corp...............(c)....	8	116	6.9	(w) 10.00
Gimbel Brothers, Inc.....................(c)....	7	110	6.4	3.3
Baldwin Locomotive Works ....(c)....	7	111	6.3	3.2
Endicott-Johnson Corp. ....(c)....	7	116	6.0	4.5
American Smelting & Ref. Co. ....(c)....	7	115	6.1	1.7
American Steel Foundries ....(c)....	7	113	6.2	6.7
U. S. Industrial Alcohol Co..............(c)....	7	102	6.9	5.2
Associated Dry Goods Co. 1st.............(c)....	6	101	6.0	4.9
PUBLIC UTILITIES:				
North American Co. ....(c)....	3	50	6.0	(w) 6.9
Philadelphia Company ....(c)....	3	48	6.2	5.6
RAILROADS:				
Chicago & Northwestern ....(c)....	7	119	5.9	....
New York, Chicago & St. Louis............(c)....	6	97	6.2	(y) 3.7
Chesapeake & Ohio conv...................(c)....	6.50	120	5.4	9.0

MIDDLE GRADE INVESTMENTS

	Div. Rate $ per Share	Approx. Price	Approx. Yield	Times † Dividend Earned
INDUSTRIALS:				
Bush Terminal Buildings Co.............	7	100	7.0	1.1
Brown Shoe Co............................(c)....	7	109	6.4	3.9
Cuban-American Sugar Co..................(c)....	7	98	7.1	7.5
Armour & Co. of Del......................(c)....	7	98	7.1	(w) 2.3
Allis-Chalmers Mfg. Co...................(c)....	7	109	6.4	2.8
Genl. American Tank Car Co...............(c)....	7	104	6.7	4.0
Natl. Cloak & Suit Co....................(c)....	7	92	7.6	4.5
PUBLIC UTILITIES:				
Radio Corp. of America A pfd.............(c)....	3.50	46	7.6	(w) 3.5
Amer. W. Wks. & Elec. Corp. 1st..........(c)....	7	105	6.7	2.8
Public Service of N. J. ....(c)....	8	116	6.9	3.4
RAILROADS:				
Baltimore & Ohio ....(n-c)....	4	69	5.8	(y) 4.75
Bangor & Aroostook ....(c)....	7	99	7.1	2.5
Colorado & Southern 1st pfd............(n-c)....	4	67	6.0	7.5

SEMI-SPECULATIVE INVESTMENTS

	Div. Rate $ per Share	Approx. Price	Approx. Yield	Times † Dividend Earned
INDUSTRIALS:				
Famous Players-Lasky Corp................(c)....	8	117	6.8	(y) 6.5
Pure Oil Co. conv. pfd...................(c)....	8	107	7.4	4.2
American Beet Sugar Co...................(c)....	7	80	8.8	1.5
National Department Stores...............(c)....	7	98	7.1	4.0
Austin, Nichols & Co........................	7	90	7.8	1.8
Worthington Pump & Mfg. "A"..............(c)....	7	79	8.9	2.0
Orpheum Circuit ....(c)....	8	101	7.9	(w) 3.2
International Paper Co...................(c)....	7	97	7.1	1.75
Dodge Bros., Inc.........................(c)....	7	86	8.1	....
Consolidated Cigar Corp..................(c)....	7	100	7.0	(x) 3.0
American Cyanamid Co.....................(c)....	6	90	6.7	(x) 4.0
Warren Bros. Co. 2d Pfd..................(c)....	3.50	46	7.6	(x) 15.0
PUBLIC UTILITIES:				
American & Foreign Power Corp............(c)....	5	92	7.6	(x) 3.6
Hudson & Manhattan Ry..................(n-c)....	5	73	6.9	(x) 3.6

SPECULATIVE INVESTMENTS

	Div. Rate $ per Share	Approx. Price	Approx. Yield	Times † Dividend Earned
RAILROADS:				
Chicago, Rock Island & Pac.............(5-7%)....	7	99	7.1	(x) 1.35
Guf, Mobile & Northern ....(c)....	6	102	5.2	(x) 1.3
Western Pacific ....(c)....	6	78	7.7	(x) 1.0

(c Cumulative. (n-c) Non-Cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
† Average number times earned last five years.

Why Fire Insurance Companies Are Successful Investors

An Analysis of Their Security Holdings—How Can the Small Investor Profit from Their Example?

IT has become a commonplace that insurance companies are really little more than huge investment trusts, who obtain their funds for security commitments out of the otherwise none too profitable insurance business. Life Insurance companies, especially the mutuals, are severely restricted in their choice of investments, but the stock fire companies are free in their buying of securities—except for legal requirements that are not at all burdensome. Such requirements principally concern publicity rather than restriction.

But it is altogether too sweeping an assertion to state that fire insurance companies are investment trusts. The British investment trust, of which there are alas! practically no representatives in this country, usually aims at long-term commitments, with slight turnover, and principally in pure investments.

Security Holdings of Five Leading New York Fire Insurance Companies

Bonds	Value 1925	Cost (millions)	Profit (%)	Percentage of total holdings, 1925
U. S. Government	$36.8	$34.1	7.9	14.8
Canadian Government	5.1	4.7	8.5	2.0
Foreign Government	.2	.2	..	.1
U. S. State & Municipal	14.8	14.2	4.2	5.9
Canadian Provincial and Municipal	4.8	4.5	6.7	1.9
Railroad	43.4	40.0	8.5	17.4
Public Utility	6.6	7.2	*8.3 loss*	2.6
Industrial, etc.	12.1	11.1	9.0	4.8
TOTAL BONDS	$123.8	$116.0	6.7	49.5
Stocks				
Railroad	$34.3	$27.3	25.6	13.8
Public Utility	10.2	7.9	29.1	4.1
Bank and Insurance	16.2	8.2	97.5	6.5
Industrial, etc.	65.2	55.0	18.5	26.1
TOTAL STOCKS	$125.9	$98.4	27.9	50.5

Unique Requirements of Insurance Companies.

Fire insurance companies are in a class by themselves as their securities requirements fall into four groups.

In the first class are those pure investments, purchased principally for steadiness of income, rather than size of income, and only secondarily with a view to capital appreciation. Gilt-edged railroad bonds, for example, were shrewdly purchased by the companies when they were not in favor, and as a result they have yielded both steady cash income, and considerable increases in book value. This type of investment is rarely turned over.

The second class are speculative commitments held for the long swing. Such purchases are usually made as the result of inside knowledge or complete analysis by the insurance companies. These speculative securities are kept on the books for years with the hope that eventually the profits on their sale will more than conpensate for losses in cash income resulting from holding them for many years. In this class of long-term speculative commitments the principle of diversification is not always followed by the insurance company. Since the company will usually hold such securities only after intense investigation, it will often put into this type of speculative security much more money than it would appear to be warranted in doing. But it must be remembered that it has often had its statistical staff on the ground for years studying the shaping up of the company, and what would be folly in the small investor is wisdom with them. Naturally since they put so much into one basket, they try to own enough to have a say about the way in which the basket should be carried to market.

The third group of commitments are really spec-vestments and consist of that great body of securities which are bought principally for capital appreciation, but which are expected to produce an annual income and so to carry themselves. Such spec-vestments are often referred to as "business men's investments." About a fifth of a progressive company's commitments are usually in this group. It is much more important than the purely speculative group. It is less important than the great balance wheel of investments for income primarily.

Of the fourth source of investment income little is known. Insurance companies are rather keen market traders. An appreciable part of their annual profits comes from this source. This trading is partly in-and-out, and partly month to month. It is almost never done in speculative market favorites. It is rarely done on technical position alone. What the insurance company trader prefers is a stock having intrinsic merits, and temporarily neglected. Acute and painstaking statistical studies are the basis for so-called "insurance company luck" in trading operations.

But these four types of commitments, so different from the investment trust's operations, do not tell the whole story. An investment trust requires a minimum of cash. It is in effect an agent, or rather an intermediary, between groups of investors and groups of investments. But an insurance company is in exactly the opposite position. Its very business is in gambling against events that may at one fell swoop divest it of a large part of its assets. It can never count upon any year being good. A San Francisco or Baltimore fire may strip it of nearly all surplus. No amount of re-insurance can wholly cope with this possibility. Hence, it has to keep on hand not only a large amount of barely productive funds such as cash and demand loans but also in large measure, investments that can almost be automatically turned into cash with a slight loss at the worst. Such are Liberty Bonds. This unvarying need for liquid funds not only distinguishes the insurance company from the investment trust but it also makes

the distribution of its securities not altogether a perfect guide for the individual investor.

Threefold Income from Securities

The income of an insurance company from its securities comes in three forms. First, of course, there is the annual cash income from interest and dividends. A survey of five leading insurance companies in New York state indicates that this cash income is equivalent to about 4.9% on their average security holdings.

The second source of income comes from the maturity or sale of securities. Bonds purchased at a discount yield a cash profit when they are retired at par or at a premium. Bonds and stocks sold at a profit, of course, add to cash income.

The third source of profits is not realized in cash but in bookkeeping. Securities not sold but held in portfolio are marked up in value on the books of the insurance companies. It is akin to a trader's "paper profits."

It is obvious that no sound dividend policy can be based on such increases in book value, but instead, only on cash received. As cash received from annual recurrent income is about 4.9%, and other cash profits 1.2%, it is said that insurance companies are making about 6.1%, say, on their investments. But in point of fact their "paper profits," while not a legitimate basis for dividend disbursements, really make the yield on investments much higher than would at first seem to be the case. And the investor too is anxious to know how insurance companies place their funds in order that he also may enjoy such mark-ups of stock values. It is also true that fire insurance companies have bought securities that are strongest against declines in the market. They lost little in 1920 compared with what they made in 1922, 1924 and 1925.

A caution to investors interpreting insurance company reports may not come amiss. If at the beginning of the year a company reports holdings of 10,000 Union Pacific and at the end 12,000, it does not follow that it has held 10,000 and bought 2,000 more. It may have sold the 10,000 shares, then purchased 15,000 and sold 3,000, in various lots. The net result is 12,000 shares. But trading profits may have been accumulated as well as cash income and increases in book values. The same process may work the other way. That is, trading losses within the year may take from apparent profits. Such a subject is wide enough for many books. But it does not detract from the fact that the general trend of fire insurance company commitments is unmistakable. It is this broad tendency with which we are concerned.

Composition of Investment List Instructive

An analysis of the table showing percentage of investments in all classes indicates that if it were not for the need for liquid investments, insurance companies would on a strict financial basis invest principally in stocks. As it is, stocks form 50.5% of all investments, and bonds, not counting Liberties and Canadian governments, form only 32.7%.

This ratio of five to three seems wise as it combines pure investment and spec-vestment features in a just proportion. An important point to note is that only about $1 in a $1,000 is placed in foreign securities, and that this tiny proportion shows no profit. Considerable profits in railroad bonds are the result of having purchased these securities when the public was pessimistic about them. This is not the present day situation so that this proportion is somewhat larger than is required by the present day investor. Their losses in public utility bonds are somewhat surprising, in view of the greater favor in which they are now held, and the lower coupon rate prevailing in new offerings. But surprising or not, it is a fact, and the companies now investigate public utility properties as they investigate few others. Their later purchases of stocks in public utility companies have yielded them profits second only to those in bank and insurance stocks. On these latter, of course, an offset of low cash income must be made. But despite all qualifications, they remain far and away the best investments made by fire insurance companies. It seems absurd that these stocks, the very cream of investments, should so long have escaped even the attention of the ordinary investor. This notation is, of course, entirely without reference to the question as to whether or not the boom in bank and insurance stocks in 1925 has made their prices too high to make them such opportunities at the present time.

When it is remembered that "industrials," both stocks and bonds, constitute a third of fire insurance company investments, it is obvious that they are favored by the best investment students. The prejudice against these securities, accordingly, especially in bonds, still gives the discriminating investor much to profit from.

Will Insurance Company Securities Profits Continue?

It must be borne steadily in mind that a succession of bull markets and (*Please turn to page* 669)

Twenty-Five Leading Common Stocks Held by the Largest Five New York Fire Insurance Companies

	Number shares held	Value December 31,1924	Value if held to December 31, 1925
Atchison	27,050	3,219,000	3,732,000
Union Pacific	18,400	2,741,000	2,760,000
Consolidated Gas of N. Y.	32,908	2,501,000	3,093,000
Woolworth	9,000	1,116,000	1,899,000
New York Central	12,530	1,478,000	1,691,000
Southern Pacific	33,950	3,463,000	3,497,000
Pacific Oil	11,500	632,500	862,500
Corn Products	30,000	1,200,000	1,260,000
General Electric*	5,000	1,585,000	1,630,000
General Electric (special)	20,000	220,000	220,000
International Harvester	8,500	918,000	1,115,000
American Smelting	6,100	598,000	878,000
D. L. & W.	20,100	2,894,000	2,905,000
Atlantic Coast Line	8,800	1,320,000	2,288,000
C. R. R. of N. J.	5,230	1,522,000	1,595,000
Norfolk & Western	18,000	2,340,000	2,664,000
N. Y. & Harlem	7,620	1,226,000	1,524,000
Louisville & Nashville	9,725	1,050,000	1,380,000
Texas Co.	11,982	515,000	647,000
Standard Oil of N. J.	5,000	200,000	230,000
Mack Trucks	3,500	413,000	528,000
North American	7,913	332,000	506,000
Pennsylvania	13,700	658,000	754,000
Pullman Co.	3,500	518,000	584,000
American Tel. & Tel.	4,320	566,000	613,000
Northern Pacific	7,400	518,000	573,000
		33,743,500	39,428,500

Profit, 16.7%.
* 100% Electric Bond and Share Stock Dividend in 1925.

Are You Ashamed to Be Thrifty?

THE theory of thrift and saving is very simple. We plan a budget which, on the basis of expenditures and income, leaves a balance for our savings fund. We decide to start with a savings account; open the account with a nearby savings bank and then, *in theory*, we are started on the road to Financial Independence.

So far as the theory is concerned all's well. We soon find, however, that we have more formidable problems to contend with than theory. For example, our friends and acquaintances feel sometimes that we ought not save too much. Perversely they would like to see us spend more and save less. They hesitate not to use such appellations as "miser," "tightwad," and even more unpleasant insinuations about our being "cheap skates," are broadcast.

But if you really intend to put aside something for the rainy day, you must first of all make up your mind not to be ashamed of being thrifty. Don't overlook this point. Rich people count their change. Why shouldn't you and I? A good credit rating usually goes hand in hand with careful use of money. When a man, alleged to be wealthy, spends his money recklessly, better check him up on the income tax list. John D. Rockefeller confines his extravagances to giving away dimes. Why should we throw away dollars to avoid having someone call us a "cheap skate?"

When you have cleansed your mind of the fear of being pointed to as a thrifty person you have gone a long way in the direction of ultimate Financial Independence. You will be proud of the thrift fund as it grows day by day. Moral stamina improves under the stimulus of economic security. When the "miser" issue is raised, appreciate it at its value as a compliment to your good sense. Do not be ashamed of being thrifty! You are justified in feeling proud of such a noble quality.

How the Home Owner Fares When Rents Fall

A Comparative Study Supported by the Actual Figures in a Reader's Experience

By J. E. P.

FIVE years ago I bought a seven room house, with bath, on a contract calling for a payment of at least $75 per month, total cost being $9,000, and now have the house about half paid for. The house on the other side of the party drive is an exact duplicate which has been rented for most of that time by the original owner who was the builder. By comparing the amount of money I have put into this home and the amount the builder has received for rent from the man next door it gives a fine basis of comparison on the subject of buying versus renting.

One of these homes was purchased by the author; the other was rented. In every other respect they are exactly alike and furnish an interesting basis of comparison between owning and renting.

During 1920 the other house rented for $75 per month, which has gradually been decreased year by year, and while it has lately been sold, similar houses in this neighborhood are renting now for about $50 per month.

From October 1, 1920, to December 31, 1925, I have paid out $7,695.97, which includes payments on the principal, interest, taxes, repairs, painting, but does not include any expenses I would have had to pay had I been renting.

The attached table shows the amount of money I have put in the house during each of the six years. The second row of figures shows what I would have paid as rent based on the rental received for the house next door. The third row of figures shows the total amount I had in the house at the end of each year over the amount I would have paid out for rent.

If I had been the man next door I could have secured 6% on that balance so I have added 6% at the end of each year to the actual amount invested in the house. Including this interest I have put into the house in five years $4,994.22 more than the renter next door. But to offset that I have an equity in the house of $4,227.17 based on the purchase price. This shows a loss of $767.05, but as the property is worth about $1,000 more than it was in 1920 the loss is more than offset by the increase in value.

Deducting my present equity, based on a $10,000 valuation, from the actual cash paid in, I have spent $2,468.80 in 63 months which is equal to $39 per month. If the valuation is left at $9,000 this average is $55 per month against $50 per month for the rent of the house next door.

While these figures show only a nominal saving to the home owner, the overwhelming consideration is the fact that I have this equity of $4,000 or $5,000 which I would not have if I had been a renter.

Shall I Buy or Rent?—These Figures May Supply An Answer

	1920 (3 Mo.)	1921	1922	1923	1924	1925
Annual Payments on the Owned Home Including Reduction of Mortgage...	$2,350.00	$1,344.00	$1,330.29	$ 581.29	$1,033.80	$1,056.59
Annual Rentals Paid by Neighbor	3 X $75 $225	12 X $70 $840	12 X $65 $780	12 X $60 $720	12 X $55 $660	12 X $50 $600
What the Renter Saved for Investment Plus 6% Per Annum*	$2,156.77	$2,820.42	$3,572.95	$3,640.29	$4,254.94	$4,994.22

Monthly average rental $61

Monthly average cost to home owner $55

Equity in home owned based on purchase price, $4,227.17

*Columns show amount as it accumulates every year.

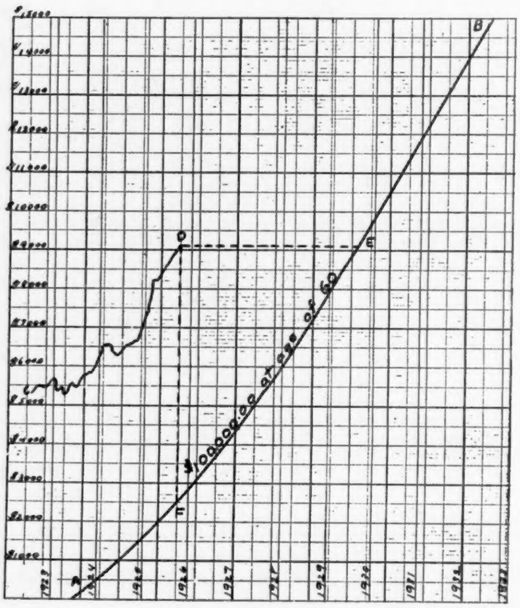
Prize **Building Your Future Income** Contest

Seven Rules for Successful Saving

By HAROLD S. STROUSE

Honorable mention was awarded by the judges to this valuable contribution to B Y F I's 1925 Prize Contest. It is indeed an inspiring article, offering an interesting classification of the numerous factors on which a successful Thrift Program should be based.

I FIRMLY believe that anyone can build up an income fund without risking his capital in highly speculative ventures. There is no magic formula required, just a combination of old-fashioned common sense, thrift, will-power and the adoption of a logical plan of saving.



The solid line AB represents the accumulation of $100,000 to the age 60—the author's goal.

The line CD represents actual saving and is plotted monthly as an instant check up on the results obtained.

I do not claim that any of the rules which I am c a r e f u l l y following in building up my income fund are new, for originality in the investment of funds is just about the last thing that the small investor wants. I do claim for these rules that they are bringing results, which is the truest test of their worth.

It is, of course, understood that conservation of health is the first requisite of building up an income fund, but I am not dwelling on this because it is so fundamental, that I am sure everyone realizes the prime importance of it.

Your Own Business First

(1) The first and most important rule is "Give your available energy and best thought to the business that gives you your present income, whether it be your own business or someone's else." If you have time available after regular working hours, it is far better to spend some of it studying trade journals, books and other means of improving your business than to attempt to make money by working at some other line, such as canvassing, clerking, teaching, etc. Proficiency in your business will in the end, bring far greater rewards than outside lines which serve only to dissipate your energy. In other words, become a specialist in your own line. I am a salaried man and I have devoted considerable of my spare time to the study of my employer's business and my employer has shown that he appreciates it by increases in my salary from time to time.

(2) The second rule is "Be Thrifty." This does not mean being miserly but it does mean that one should so order his affairs that expenses are well within his income. The surplus should then be invested so that it will produce income, instead of being wasted in needless luxuries. This sounds like "schoolboy stuff," but when one sees the number of people of pitifully small income indulging in automobiles, expensive radio sets and the like, he comes to the conclusion that a majority of people are unacquainted with the meaning of thrift.

(3) The third rule is "Invest Your Surplus Regularly." The greatest boon the small investor has ever received is the instalment plan of selling sound securities by reliable investment houses. It is advisable to be continuously under contract to purchase sound securities at a stipulated amount per month. You thereby create an obligation which must be met and you therefore meet it in some way or another. The instalment purchase of building and loan stock is also an excellent means of saving.

Stick to It

(4) "Be Persistent" is the next rule. Saving money is a slow process at the start and hundreds become discouraged to see their capital grow so slowly especially when they hear the many wonderful tales of others cleaning up overnight in oil or Florida land. No matter how

Prize **Building Your Future Income** Contest

little a person can save, he should save it regularly and though the start may be slow, it will not be long before there will be substantial progress.

(5) "Re-invest all Interest and Dividends." This rule is frequently not followed. Many people look upon such income as something which they obtained for nothing and promptly spend it. If more people realized the wonderful magic of compound interest, they would never spend a cent of interest money while building up their income funds.

Include Common Stocks

(6) "Don't be too Afraid of Sound Common Stocks." I don't believe that all investors should invest in common stocks, but I do believe that when a man has built up an income fund in bonds to the amount of $5,000 he will have gained enough experience in the handling of money so that he can trust himself to buy some good stocks. I do not mean he should rely entirely upon his own judgment, but he can get trustworthy information from THE MAGAZINE OF WALL STREET, bankers and others competent to pass upon such investments. Stocks properly diversified and bought at the right time, will appreciate in value and increase your capital.

(7) The last rule, but not the least important is "Have a Definite Plan." For my own part, I have decided that I should like to be worth $100,000 at the age of 60 and I am following definite plans to this end.

By saving $100.46 each month at 6% and promptly reinvesting the interest and dividends at 6%, I know that I can accumulate $100,000 in 30 years. I took this figure from the chart of a well-known investment house. I then enlarged their chart and placed it on co-ordinate paper as the sketch shows. A chart to cover the whole 30 year period would require too large a sheet of paper, so I only drew what I could get on a single sheet which covers a period of approximately 9 years.

Seven Thrift Rules

1. *Give your available energy to the business which produces your present income.*
2. *Be thrifty.*
3. *Invest your surplus*
4. *Be persistent — don't become discouraged.*
5. *Reinvest all interest and dividends promptly.*
6. *Don't be afraid of sound common stocks after you have gained experience in investing.*
7. *Follow a definite savings plan.*

What the Chart Shows

The accompanying figure shows this chart. The curved line A-B represents the theoretical line of capital growth made by saving $100.46 each month at 6% interest and by reinvesting the interest and dividends at this same per cent of return. Each small horizontal space indicates one month and I have divided off the years. Each small vertical space represents $100 and I have indicated the $1,000 divisions.

The curve C-D represents the actual course of the growth of my capital. I started this chart in July, 1923 (my 30th birthday), and it will be noted that I had at that time saved a little over $5,000.

Each month I take inventory at the market price of all stocks and bonds which I own, plus cash on hand and in banks, plus the cash surrender value of my insurance policies (of which I carry $10,000 in 20-pay life). I add the various items and mark a point where the proper vertical month line intersects the horizontal line, which represents the number of dollars of my net worth. I then join this point to the point for the preceding month and the result is the irregular curve C-D.

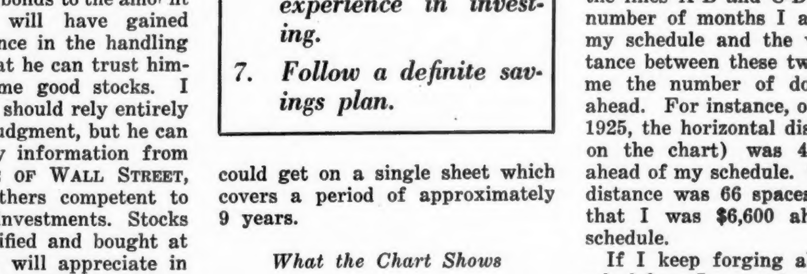
Ahead of the Schedule

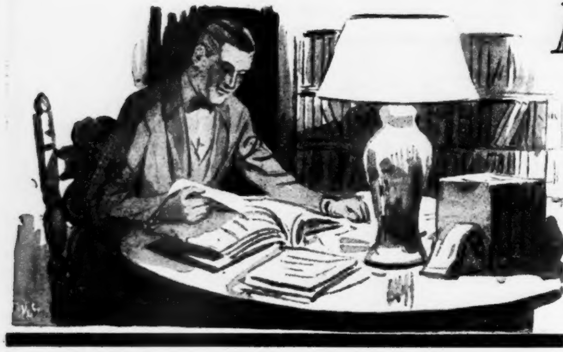
The horizontal distance between the lines A-B and C-D tell me the number of months I am ahead of my schedule and the vertical distance between these two lines tells me the number of dollars I am ahead. For instance, on October 1, 1925, the horizontal distance (D-E on the chart) was 46½ months ahead of my schedule. The vertical distance was 66 spaces, indicating that I was $6,600 ahead of the schedule.

If I keep forging ahead of my schedule as I expect to do as my income increases, I shall revise the basic curve, making it for a $100,000 fund at the age of 55.

This curve has the great advantage that it lets me see graphically each month just where I stand and whether I am keeping ahead, holding my own or falling behind my schedule.

It is a source of great satisfaction to know exactly at all times just how my saving program stands. By glancing at the chart I can see my saving fund growing in value more graphically than by looking through a number of papers. If I should fall back of my schedule, my chart would be a constant reminder of the setback.





How to Analyze Your Life Insurance

Some Practical Suggestions for Budgeting of Life Insurance.

By FLORENCE PROVOST CLARENDON

PLANNING the budget is a popular pastime—something like a cross-word puzzle,—all to be fitted into definite limits! Living up to budget figures thereafter is not a practice that is so enthusiastically pursued. Personal budgets have been puzzled over and played with by many people, with the zest of a new game; but after a short trial the budget is often as completely forgotten as the once popular Mah Jong, now banished into limbo by its former devotees.

Budget Alone No Cure-All

Many people seem to be under the impression that the mere planning and pruning of a budget will automatically save money and build a thrift fund. One earnest devotee of the budget plan sought diligently for months the particular budget that would suit her especial needs. Meantime she cheerfully exceeded both her personal and household allowance. This budget enthusiast appeared to be under the impression that once she discovered a suitable budget plan to meet the conditions of a $5,000 family with $10,000 tastes, their expenses, debts and savings would shake into place with the swift magic of a kaleidoscope.

This article does not pander to the taste of the professional budget seeker. Far be it from us to enter that maze of charts, tables, figures and estimates formed with such intriguing interest by those who are proficient in such work.

With the beginning of the new year, however, there is one item affecting the family as a whole which should be carefully thought out and analyzed; the life insurance protection which the breadwinner carries to protect his dependents against the unexpected.

A simple and practical plan for saving is to divert 1/10 of the year's income toward the payment of life insurance premiums, and 1/10 in savings banks, investment in good stocks and bonds, and in other reliable securities.

For instance, if we assume the yearly income to be $10,000, at an age not more than 35, the diversion of 1/10 of this amount, or $1,000, annually toward premiums would obtain approximately life insurance protection of, say, $40,000. If at the same time the investor starts a budgeted thrift fund, and accumulates $1,000 a year in investments, earning 4½% interest on this amount, he will, in the course of ten years, have accumulated more than $12,500; in fifteen years, nearly $22,000.

If the investor were to die in the first year, he would leave an estate of $40,000 life insurance, plus his proportionate savings for the year. If he were to die in the fifteenth year, he would leave life insurance of $40,000, plus $20,000 or more of accumulated savings. Moreover, his income would have been increased during the intervening years from two sources:

1st—from interest on his thrift fund; and

2nd—from dividends paid on his life insurance policies.

Apart altogether then from increases in salary, or improvement in his business in other ways, this young man of thrift and foresight would become increasingly prosperous year by year as he grows older.

How to Analyze Policies

This is a good time to go over one's life insurance in detail. Many men apply for policies, get them, pay premiums—and put the policies away *without reading them* except to note the two items featured at the top of the first page of the policy, the sum insured and the amount of premium.

Let us assume that a man now age 40 is carrying life insurance divided among several companies, taken at different times, and with varying amounts and plans. It is an easy matter to check up these assets by listing them as shown in the accompanying table.

A column headed "Dividends Paid" might with advantage be included, in which these annual allotments under participating policies could be noted.

With policies on a participating basis, it is well to consider at this time the most advantageous manner of applying future dividends. If it is not necessary to use dividends in reduction of annual premiums, they may with advantage be applied to the purchase of paid-up additions to the policy, thus increasing the face amount of the insurance.

Having analyzed his policies, the insured is better able to vizualize his additional insurance needs. Premiums on new policies should be arranged to fall due at a time which will not con-

(Please turn to page 662)

How to Tabulate Your Policies for Analysis

Company	Age at Issue	Plan	Amount	Premium Par.	Premium Non-Par.	Date of Prem. Paymts	Last Premium	Beneficiary	Present Cash Value
A. Co.	27	20 Y. End.	$4,000	.....	$161.70	August 10	1931	Wife	$2,420
B. Co.	28	Ordinary Life	3,000	$65.07	......	April 20	....	Wife	453
C. Co.	30	20 Pay. Life	5,000	164.25	......	February 15	1934	Wife	1,293

The Story of the Balance Sheet

What the Figures in the Balance Sheet Mean and How to Draw Conclusions From Them

By STEPHEN VALIANT

The Seagrave Corporation

Balance Sheet as of January 1, 1925

ASSETS			
Current Assets:			
Cash		$124,523.87	
Accounts receivable:			
Customers	$279,897.47		
Advances to branches and salesmen..	1,154.53		
Cash deposited with bids	1,542.50	282.594.50	
Inventories of raw material and supplies, finished stock at cost or market whichever is lower, as certified by responsible officials		811,001.96	$1,218,120.33
Property account:			
Buildings, machinery and equipment, tools, jigs, dies, patterns, drawings, etc., at appraised sound values			1,125,968.32
Goodwill			1.00
Deferred charges to future operations:			
Unexpired insurance premiums, etc.			8,319.06
			$2,352,408.71
LIABILITIES			
Current liabilities:			
Accounts payable		$41,387.44	
Accrued payroll, local and excise taxes and commissions		41,021.27	
			$82,408.71
Capital Stock:			
7% Cumulative Preferred:			
Authorized—12,000 shares of $100 each			
Issued—11,900 shares of $100 each		$1,190,000.00	
Common:			
Authorized—125,000 shares of no par value			
Issued—100,000 shares of no par value		1,080,000.00	
			2,270,000.00
			$2,352,408.71

AN investor in New York City, by the name of Walter L......, wants some help on analyzing balance sheets and financial statements. He has been puzzled by some of the technical names which appear on corporation's statements and writes to the BYFI Editor asking how conclusions are to be drawn from corporation records. "Please give an explanatory word for each technical word used," our correspondant concludes his letter.

I happen to have before me the January 1, 1925, balance sheet of the Seagrave Company—manufacturers of fire fighting apparatus—which gives the essential facts in rather broad detail. Let us proceed to analyze this statement as reprinted on this page.

To start with, a balance sheet is a list which the accountants make of all of the assets of a company at a given date; also a list of all the liabilities that are outstanding at the same date. By deducting the liabilities from the assets we find out what the net worth of the company is; we can also ascertain by looking over each item whether the company is in a position to meet outstanding obligations as they fall due.

The balance sheet *shows whether the financial condition of a company is good or bad at a stated time;* it does not show how much the company has earned.

The Seagrave Corporation's January 1, 1925, balance sheet shows total assets of $2,352,408 (cents will be omitted in this discussion). Here are the definitions of the items in the left hand column. Property account is the total value of the buildings, machinery and all kinds of permanent equipment. Sometimes this item is called "fixed assets" and it includes property of value which the company intends to keep permanently in the operation of its business.

Good will is the worth of its credit, trade-marks, contracts with customers, reputation, value of past advertising, etc., to the company as a going concern. Deferred charges are usually assets which do not have an immediate value but represent expenditures that will be a source of income or protection to the business later on.

The above items are fixed values which should appear permanently on successive balance sheets. It is in respect to their permanency that they are distinguished from current assets. Fixed assets are changeable only upon definite and stated revaluation. Current assets, on the other hand, are transient values. In the case of the Seagrave Corporation the current assets include cash, sums receivable from

(*Please turn to page* 650)

BYFI Recommends

	Price	Yield
Bonds **with a high factor of safety, ready marketability and good collateral value:**		
N. Y. Telephone Co. ref. 6s Ser. "A" '41	108	5.2%
Del. & Hudson 15-year 5½s '37	104	5.0
Bethlehem Steel 1st guar. 5s '42	97	5.3
N. Y. Cent. & Hud. River deb. 4s '34	94¼	4.8
Bonds **with a good factor of safety, fair income, good marketability and collateral value:**		
American Sugar Ref. 15-year ref. 6s '37	104	5.6
Anaconda Copper 1st 6s '53	102	5.8
Cuba Railroad 1st 5s '52	91	5.7
U. S. Rubber 1st 5s '47	94	5.7
Preferred stocks **with ample security, a liberal income return and some possibility of enhancement in value:**		
Famous Players preferred ($8)	117	6.8
U. S. Smelting & Refining preferred ($3½)	49	7.2
Schulte Retail Stores preferred ($8)	115	7.0
Willys Overland preferred ($7)	92	7.6

Investment Opportunities in a Declining Industry

Several of the Pipe Line Securities Appear to Be Undervalued When Cash Asset Value Is Considered

INVESTORS shun a declining industry. Instinctively, when a man purchases securities to obtain an income from his capital, he seeks an industry that is expected to grow and prosper. A field of industrial enterprise that at best can barely hold its own, usually offers very limited profit making possibilities and inadequate safeguards for the capital invested. As capital is withdrawn to seek some more attractive medium of profitable employment, the shares of companies in the languishing industry become depressed through lack of buying support and ultimately reach a point where they may have a distinct appeal to the bargain hunter.

Such an industry is the pipe line industry, or more strictly speaking, that end of the industry engaged in the transportation of oil from the Mid-continent fields to the Eastern refineries. All of the companies in which there is any wide public investment interest come within this classification.

These pipe line companies have had their day. Most of them still retain the mark of their former prosperity in the form of unusually large resources, either in cash or in assets that could be turned into cash almost on demand. From the operating standpoint, however, their future outlook is uncertain, and there seems little possibility of recovering their former dominating position. What is more likely, is that over a period of years they will decline to a point where distribution of assets to shareholders might seriously be proposed. In fact one or two have already reached this stage.

The Ideal Situation

A pipe line company carries crude oil over a fixed route from a receiving point to a point of delivery. The most profitable situation for a pipe line company is based on a combination of several circumstances, to wit: first, a plentiful supply of crude oil at the receiving end of the line; second, a scarcity of petroleum at the refinery or delivery end; third the absence of any other means of transportation between the two points served at rates near or lower than those of the pipe line companies.

In other words, it is a profitable business, when the only supply of oil is at isolated inland fields and all of the refineries are at the Eastern end of the pipe line. As a matter of fact, for considerably more than a quarter of a century and for the greater part of a decade following the Standard Oil segregation, the pipe line companies enjoyed just such a combination of circumstances. As the dominating means of transportation, these companies were able to return liberal incomes to their stockholders and accumulate vast cash assets in addition.

The first cloud on this bright horizon was the increasingly heavy shipments of oil by tanker from Mexico to the Atlantic seaboard refineries. Production in some of the fields served by their pipe lines declined. Then came the flush production in California and the arrival of cheap oil from the West Coast to the Atlantic seaboard by tanker via the Panama Canal. Deliveries from the Mid-continent fields to the Gulf and by tanker from the Gulf to the eastern refineries introduced a new and formidable competition with low charter rates for tankers. The peak of this depression was reached in the latter part of 1924 when some of the trunk lines were practically shut down as far as transcontinental runs were concerned. Last year, conditions improved as California ship-

Important Pipe Line Companies Compared

Name	Cash Assets Per Share	Current Price	1924 Earnings (per share): Operating Income	Income from Investments	Total Income
Buckeye	$17	56	$4.10	$0.80	$4.90
Cumberland	99	134	10.00	4.20	14.20
Eureka	42	61	Def. 2.00	2.00	....
Illinois	7	136	11.10	2.70	13.80
Indiana	44	59	4.10	2.10	6.20
National Transit	*20	20	0.30	1.30	1.60
New York Transit	38	49	3.00	2.00	5.0
Northern	76	72	†3.00	4.00	7.00
Prairie	5	125	13.50	1.10	14.6
Southern	68	62	Def.	3.30	2.9
S. W. Penn.	37	53	0.0	2.10	2.1

*Including $5 per share presented by Nat'l Transit Pump & Mach. common at book value.
†Adjusted to exclude deductions for "Oil Shortage" not actually a loss.

ments via Panama Canal fell off and Mexican imports declined.

In spite of the seemingly improving condition of the pipe line companies, however, there are other adverse factors which must be recorded. A slow transition has been taking place for many years in the distribution facilities of the nation for petroleum and its refined products. One of these is the construction of refineries in the producing districts. A number of the large independent producing units in the industry now own or control their own gathering lines, short trunk lines and refineries. Exports to foreign countries which formerly were made almost exclusively from the eastern refineries are now being made from the Gulf, from the West Coast, from Mexico and on a small but ever increasing scale from South America.

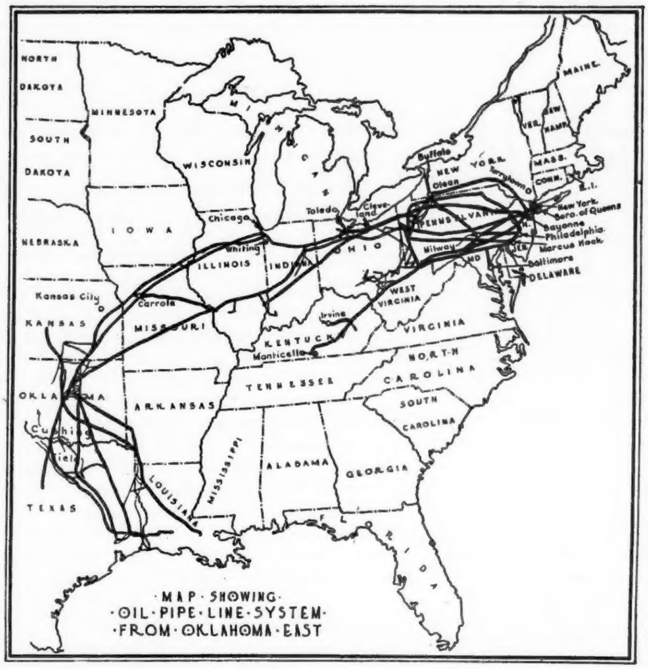
In short the days of "oil fields in the West and refineries in the East" are over as far as the dominating position of the trunk pipe lines is concerned. The marine division of the oil industry occupies a position that is not likely to be replaced because of its elasticity. It is not necessary to write off depreciation on a tanker at the rate of decline in production of any particular field served; the water route thrives on the same geographical changes in points of supply and demand that the pipe line route succumbs to.

Bright Side of the Picture

Pipe line companies have their optimistic side, too. The investment advantages such as absence of inventory, credit losses, labor problems and so forth, have been so many times discussed that it will be assumed that the investor is already familiar with them. Of current importance, however, is the gradual removal of the California oil menace and the fact that shipments via Panama Canal are both smaller in volume and consist of higher priced oil. It is worthy of mention also that the pipe line companies are not entirely without salvation from some of the worst of their difficulties. They have ample capital to back up any necessary enterprise. There has been much discussion within the industry of erecting refineries at the gathering end of the line and using the trunk lines for distribution of refined products. At any rate it will be years before the pipe line will no longer be considered an indispensable phase of the petroleum business.

Aside from any of the nebulous optimistic considerations, some pipe line shares are intriguing to the bargain hunter. One of the elementary rules for bargain hunting is to get off the beaten path. Popular securities usually command a premium because of the wide public interest and buying support. On the contrary, any group of securities against which the public holds a prejudice may be undervalued.

In considering the pipe line stocks, the bargain hunter must take cognizance of the large cash asset position of most of these companies, which has a definite bearing on the real values to be acquired. The cash asset value of the most prominent pipe line companies is given in the accompanying table. When the investor buys these issues he does not really pay the full quoted price. Strictly speaking, he ties up a part of his capital in low yield gilt-edged bonds or non-income producing cash to the extent of the cash asset value indicated in this tabulation. By so tying up his capital, however, he is given the opportunity of making a speculative commitment at a low price.



MAP SHOWING OIL PIPE LINE SYSTEM FROM OKLAHOMA EAST

In other words, the theoretical cost of such an investment is most accurately calculated by deducting the cash asset value of the shares from their current market price. Approached from this point of view, some of the pipe line stocks appear undervalued at their current selling prices.

Distributions in Prospects

The bullish argument of a high cash asset position in relation to market price requires some qualification. Obviously, the real value of a strong liquid position lies in the possibility of a distribution. Without the distribution materializing, it is a distinct disadvantage to have such a large portion of one's investment capital tied up in low-income-earning gilt-edge bonds or cash that earns no income at all. A hybrid company, both the owner of a large amount of high grade investment bonds and at the same time an operating unit in a high speculative and uncertain field, appeals to no one—neither the speculator nor the investment buyer. When segregated, however, through a distribution of the cash to the shareholder so that he can use the cash as he sees fit, and at the same time reducing the capitalization of the company in line with its scope of operations, the greatest ultimate gain from the investment is obtained.

Some of the pipe line companies have established a precedent in the matter of distribution of their cash assets. *Crescent Pipe Line* cut its capitalization from 3 million to 1.5 million in 1923 and paid out a cash dividend of $25 a share. *National Transit* cut its capitalization in half and paid a $12.50 cash dividend. Other companies have distributed that part of their cash assets which were earned prior to 1913 without changing their capital structure. *New York Transit* paid a dividend of this nature amounting to $80 a share in 1923. *Buckeye* paid a similar cash dividend of $80 in 1922. In a large measure the attractiveness of the pipe line stocks lies in the prospects for similar cash dividends and the segregation of cash assets.

Northern Pipe Line

One of the most aggravated instances of the cash asset value of a pipe line stock and its relation to market price is *Northern Pipe Line*, selling currently at around $72 with $76 a share worth of cash, Liberty Bonds and railroad securities back of the stock. From the standpoint of current operations, an investor unfamiliar with the company might conclude from this strange contrast that the business is being operated at a deficit. On the contrary, in 1924, the worst year for the pipe line companies, Northern Pipe earned in excess of $3 a share from its oil deliveries, after proper adjustments. As the total income (including about $4 a share income from its investments) was $7 a share, the current market valuation is about 10 per cent of the earnings. Consequently, an opportunity is open to acquire $76 worth of cash and high grade bonds together with an interest in a pipe line business that has earned $3 a share under the most adverse circumstances, all at a bargain price of $72.

THE MAGAZINE OF WALL STREET is reliably informed that an effort is being made by minority stockholders to persuade the management to make a cash distribution of some $60 a share. This would leave a working capital equal to $16 a share in the treasury, an amount ample to carry on the company's business. Appraising the remaining in-

(Please turn to page 680)

SERVICE SECTION

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Inquiry Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. As a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. Inquiries cannot be received or answered by telephone nor can personal interviews be granted by this department. The inquiries presented in each issue are only a few of the thousands received—103,292 were replied to in 1925. The use of this personal inquiry service in conjunction with the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

NATIONAL CLOAK & SUIT

Some time ago I purchased 50 shares of National Cloak & Suit common stock at 73, believing that on the basis of published earnings statements the stock was greatly undervalued. At one time I had a substantial profit on my holdings, but declined to accept the same, thinking the stock would sell much higher. Instead, there has been a precipitate decline and the stock appears weak in the market. Just what is wrong with this company? Would you advise continued holding?—C. de V. L., New York City.

Out of a clear sky comes semi-official information that 1925 earnings of National Cloak & Suit will be very disappointing. Indeed, it is doubtful if the company will more than cover its common dividend. It seems that business in feminine apparel in the late year was far below expectations. Styles have simplified and the farmer's wife has taken to making her own clothing. Mail order sales have fallen off greatly, and unlike other merchandising concerns this company, concentrating as it has its main endeavors in the selling of feminine finery, has had little in the nature of a back-log to lean upon. The $10, $11 and $12 earnings per share appear to have passed into history.

The problem now confronting the company is to substitute a profitable line of merchandise to take the place of that on the wane. The understanding is that steps will be taken to market confectionery, automotive accessories and dry-goods. Accustomed as one is to viewing this concern as purely a cloak and suit proposition the proposed transition to a general mail-order house is difficult to digest. Certainly, considerable time must elapse before the desired results are achieved.

The procedure you followed was a natural one. The future of this company appeared rosy enough some months ago and was well substantiated by the statement of the then president, Mr. S. G. Rosenbaum, on August 4, that July orders booked constituted a record in the company's history, and a heavy volume of business was looked for in the fall. Subsequent "warnings" against speculation in the stock emanating from the company's office were difficult to reconcile with previous statements.

As matters stand, the finances of this company seem unimpared. Unofficial estimates place cash holdings at 4 million dollars, and this item should at least total a million after new merchandise purchasing is completed. This is believed ample to tide the company over any financial difficulty that is likely to occur.

The stock at present is far from an outstanding opportunity, but current low levels probably discount the situation to a considerable extent. Consequently, it would appear advisable to retain your holdings with a view to possible partial recovery.

JEWEL TEA

Have you any recent figures on Jewel Tea? Do you know what it is earning and what the outlook is for the company? I have only 30 shares.—A. V. W., Detroit, Mich.

Official figures covering the complete operations of Jewel Tea for 1925 are not as yet available, but it appears safe to predict that the company will show at least $15 a share earned on the preferred. Sales for 48 weeks of 1925 amounted to $12,672,320 against $12,440,538 in the corresponding period of the preceding year, an increase of 1.8%. When one takes into consideration the unfavorable condition of the coffee market the company might be said to have made an excellent showing. Jewel Tea has done well dating from 1921. Previous to that year the company had its ups and downs but its record since that time has been of steady progress along constructive lines. Its finances have been gradually strengthened while earnings have duly reflected expansion in business. The preferred accruals are being reduced, and although they still remain at the appreciable figure of 29¾%, the steady progress in the right direction is gratifying to patient shareholders. Of course, the common is a speculation, but it is not unattractive as such, and may be retained with a view to developments.

CRUCIBLE STEEL

Would you advise a stockholder of Crucible Steel to take his profit on the present advance, assuming the profit to be about $10 a share? I have had several opportunities of taking much bigger profits and each time I have held on for prices which were not reached.—S. D. Y., Chicago, Ill.

There is little in the situation surrounding Crucible Steel to warrant particular enthusiasm. True, increased production and lower operating costs have brought about an improvement in earnings, but dividend requirements are not covered by a very wide margin at best. The record of Crucible over a period of recent years has been one of unsatisfactory earnings. Net of $5.04 a share earned on the common for the fiscal year ended August 31 is scarcely encouraging but even that is an im-

(Please turn to page 656)

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

Important Changes in Capitalization of Leading Companies

(Dates of Stk. Divs. and Rights are Dates of Record: "Ex" same Date, unless otherwise stated.)

1925

ALLIANCE REALTY CO.

Dec. 21—Paid to Cap. Stockholders a Div. of 20% in Cap. Stk. $500,000

BARNSDALL CORP.

Oct. 28—Sold its stock holdings in the POTTER GAS CO. and the DEMPSEYTOWN GAS CO. (See our Issue of Aug. 29) for cash $2,600,000

BELDING BROS. & CO.

Dec. 27—arranged to consolidate with the HEMINWAY SILK CO. through exchange of Stk. with a new Co., the "BELDING HEMINWAY CO."

BYERS (A. M.) CO.

Jan. 1—Sold 1st mtg. s. f. 6s, '45 .... $5,000,000
Purchased for cash all Cap. Stk. of ORIENT COAL & COKE CO., of Pa. $1,186,070
Jan. 28—Created new issue of 45,000 shs. 7% Cum. & Ptcptg. Pfd. Stk. (par $100).
Created new issue of 150,000 shs. $7 non-Cum. & Ptcptg. Com. Stk. (no par).
Feb. 1—Sold 1st s. f. 6s, '40 of its Subs., ORIENT COAL & COKE Co. $1,000,000
Feb. 4—Retired, at $100, all old Pfd. Stk. $3,500,000
Exchanged, sh. for sh., all new Pfd. for part of old Com. .. $4,500,000
Exchanged all new Com. for remaining $2,291,000 of old Com. shs. 150,000

CALUMET & ARIZONA MINING CO. (of Arizona)

Dec. 31—Re-incorporated under the laws of Delaware, without alteration of Cap. structure.

CUBA CO. (THE)

March 10—Sold cv. sec. 6s, '35 .... $10,000,000
($8,620,250 of proceeds to discharge obligations incurred in acquiring $10,000,000 Add. 6% Cum. Pfd. Stk. of CONSOLIDATED RAILROADS OF CUBA.)

EQUITABLE TRUST CO. OF NEW YORK

Dec. 29—Offered to Cap. Stockholders right to subscribe, at $200, to 3/10 sh. Add. Cap. Stk. for each sh. held. (Ex-Rts. Jan. 12, 1926) shs. 69,000

GIMBEL BROTHERS, INC.

Dec. 29—Increased Auth. 7% Cum. Pfd. Stk. from $18,000,000 to $21,000,000.
Increased Auth. Com. Stk. from 600,000 shs. to 622,500 shs.
(New Stk. to be exchanged for all Out. Stk. of KAUFMAN & BAER CO.—See our Issue of Dec. 19.)

MILWAUKEE ELECTRIC RAILWAY & LIGHT CO.

Dec. 21—Reduced par value of Com. Stk. from $100 to $20.
Increased Auth. Com. Stk. from 200,000 shs. (par $100) to 2,000,000. shs. (par $20)
Increased Auth. Pfd. Stk. Issue of 1921 from $15,500,000 to $35,500,000.

NATIONAL DISTILLERS PRODUCTS CORP.

Dec. 18—Sold 10-yr. 6½% gtd. g. Notes, '35 .... $3,500,000
(Part proceeds to acquire half interest in the EASTERN ALCOHOL CORP.—owned jointly with E. I. DU PONT DE NEMOURS & CO.—and Stk. in the PETROLEUM CHEMICAL CORP., controlled with the BARNSDALL CORP.—See our Issue of Aug. 1.)

NEW ORLEANS, TEXAS & MEXICO RY. CO.

Dec. 4—Acquisitions reported in our Issue of Dec. 19 also involved issue of 1st mtg. 5½s, '54, Series "A" $1,500,000

PACIFIC MAIL STEAMSHIP CO.

Sept. 25—Sold, to ASSOCIATED OIL CO., its last remaining ship, the tanker "Solana" (See our Issue of Aug. 1), book value. $600,000
Dec. 23—Canceled $2,000,000 Pfd. Stk.
Reduced Auth. Com. Stk. from $2,000,000 to $750,000.

PAN AMERICAN WESTERN PETROLEUM CO.

Dec. 14—Sold 1st cv. s. f. 6s, '40 of Subs., PAN AMERICAN PETROLEUM CO. (Cal.) $15,000,000

SEAGRAVE CORP.

Dec. 31—Paid to Cap. Stockholders a Div. of 2½% in Cap. Stk. (or 30c. cash) .... shs. 2,609

SOUTHERN RY. CO.

Dec. 18—Sold eq. tr. 4½s, '27-'41, Series "O" of Subs., MOBILE & OHIO R. R. CO. $1,200,000

STANDARD GAS & ELECTRIC CO.

Nov. 4—Arranged to acquire all Out. Stk. of the CALIFORNIA-OREGON POWER CO. (With installed hydro-electric capacity of 100,000 HP.) in exchange for 5-yr. 6% Notes of a Subs. to be organized for this purpose.

TOBACCO PRODUCTS CORP.

Dec. 14—Offered to Class "A" and/or Com. Holders right to subscribe, at $80, to 0.15 sh. Add. Com. Stk. for each sh. held $14,443,400
(Part of proceeds to exercise Rts. to purchase, at $25, 288,607 shs. Add. Com. Stk. of UNITED CIGAR STORES CO. OF AMERICA—q. v.)

Dec. 31—Paid to Com. Holders a Div. of 1/5 sh. Founders Stk. of HAPPINESS CANDY STORES, INC. .... shs. 102,970

UNITED CIGAR STORES CO. OF AMERICA

Dec. 10—Offered to Pfd. and/or Com. Holders right to subscribe, at $25, to ¼ sh. Add. Com. Stk. for each sh. held (Ex-Rts. Dec. 22) $9,134,375

U. S. RUBBER CO.

July—Acquired 10 sq. mis. of rubber-growing lands in Kedah, Malaya.
Dec. 9—Acquired 9 sq. mis. of rubber-growing lands in Sumatra, Dutch West Indies; and was negotiating for 20 sq. mis. additional. On this date Co. owned 147 sq. mis. in the Dutch East Indies, and 47 sq. mis. in Malaya. About 114 sq. mis. were planted with over 7,000,000 rubber trees; and about 78 sq. mis. were producing rubber for the Co.

VIRGINIA-CAROLINA CHEMICAL CO.

Nov. 9—Following re-organization plan declared operative:—New Co. to be organized with Cap. of $14,487,060 7% Cum. Prior Preference Stk., $21,447,994 6% Cum. & Ptcptg. Pfd. Stk., and 486,708 shs. no par Com. Stk.

For each $1,000 old 1st 7% 25-yr. Bond, Series "A," will be given $510 cash and $595 Prior Preference Stk. in new Co.; each $1,000 7½% cv. deb. Bond, Series "A," will receive $1,225 par Amt. of new 6% Pfd. and 20 shs. new Com.; each $1,000 of bank indebtedness, trade debt & general claims will receive $1,160 par Amt. of new 6% Pfd. & 20 shs. new Com.; each $1,000 par Amt. of 7% Cum. Pfd. Stk. of the CONSUMERS CHEMICAL CORP. will receive $1,245 par Amt. of new 6% Pfd. & 20 shs. new Com.; each sh. of old 8% Cum. Pfd. will receive ⅕ sh. new Com.; each sh. of old Com. will receive 1/15 sh. Com. Stk. of new Co., the "VIRGINIA-CAROLINA CHEMICAL CORP."

Offered to Holders of Ctfs. of Dep. for Pfd. & Com. Stk. of old Co. right to subscribe, at $10, to Com. Stk. of reorganized Corp. at the rate of 0.6891 sh. new Com. for each sh. old Pfd., and 0.1053 sh. new Com. for each sh. old Com.

WEST PENN POWER CO. (Subs. of WEST PENN CO., Subs. of AMER. W. W. & ELEC. CO.)

Nov. 2—Increased Auth. Com. Stk. from $20,000,000 to $35,000,000.
Increased Auth. 6% Cum. Pfd. Stk. from $25,000,000 to $35,000,000.
Sold new 6% Pfd. to WEST PENN SECURITIES DEPARTMENT, INC., for cash $5,000,000
(Latter Co. to offer same to employees, customers & general public on partial payment plan.)

WILLYS-OVERLAND CO. (THE)

Dec. 14—Acquired Stk. control of the F. B. STEARNS MOTOR CAR CO. of Cleveland.

1926

AMERICAN CAR & FOUNDRY CO.

Jan. 12—Arranged to organize a new Subs. to take over majority of Out. Stk. of the J. G. BRILL CO., builders of street Ry. equipment, together with the AMERICAN CAR & FOUNDRY MOTORS CO., which latter owns all Out. Stk. of the HALL-SCOTT MOTOR CO. and 90% of the Cap. Stk. of the FAGEOL MOTORS CO. (See our Issue of Jan. 16.)

AMERICAN-LA FRANCE FIRE ENGINE CO., INC.

Jan. 7—Offered to Pfd. and/or Com. Holders right to subscribe, at $12, to Add. Com. Stk. (par $10) in par amount equal to 14% of par value of their holdings $1,043,000

BALTIMORE & OHIO R. R. CO. (THE)

Jan. 13—Sold eq. tr. 4½s, '27-'41, Series "C" $8,370,000

BARNSDALL CORP.

Jan. 13—Sold s. f. deb. 6s, '40, with Class "B" Stk. purchase warrants $25,000,000
(To acquire WAITE PHILLIPS CO., in Mid-Continent field.)
Jan. 25—Offered to Class "A" and/or Class "B" Holders right to subscribe, at $30, to ¼ sh. Add. Class "A" Stk. for each sh. held $5,535,406

BELDING BROS. & CO.

Sold, on "when issued" basis, BELDING HEMINWAY CO. cv. 6% Notes $5,410,000
Jan. 27—Increased Auth. Com. Stk. from 415,032 shs. to 523,232 shs.

BUSH TERMINAL BUILDINGS CO.

Jan. 12—Sold Add. 1st s. f. 5s, '60 (To acquire Add. land in Brooklyn and improve with 600,000 sq. ft. of concrete-steel loft buildings) $2,247,000

CADDO CENTRAL OIL & REFINING CORP.

Jan. 9—Property sold under receivership, to Bondholders, for $1,500,000

COMMERCIAL CREDIT CO. (of Baltimore)

Jan. 14—Created new issue of $12,000,000, 6½% Cum. 1st Pfd. Stk. (par $100).
Increased Auth. Com. Stk. from 480,000 shs. to 850,000 shs.
Jan. 18—Sold new 6½% 1st Pfd. Stk., with Com. Stk. purchase warrants $8,000,000
Paid to Com. Holders a Div. of 20% in Com. Stk. .... shs 96,000
Offered to Com. Holders right to subscribe, at $33.50, to 1/5 sh. Add. Com. Stk. for each sh. held .... shs 96,000
Offered to employees right to subscribe, at $33.50, to Add. Com. Stk. .... shs 8,000

(Please turn to page 678)

AUBURN 8 EIGHTY EIGHT 6 SIXTY SIX 4 FORTY FOUR

8-88 Brougham, $1795, freight and tax extra. 129" wheelbase. 3¼"x4½" eight-cylinder motor. Finished in latest two-tone lacquer.

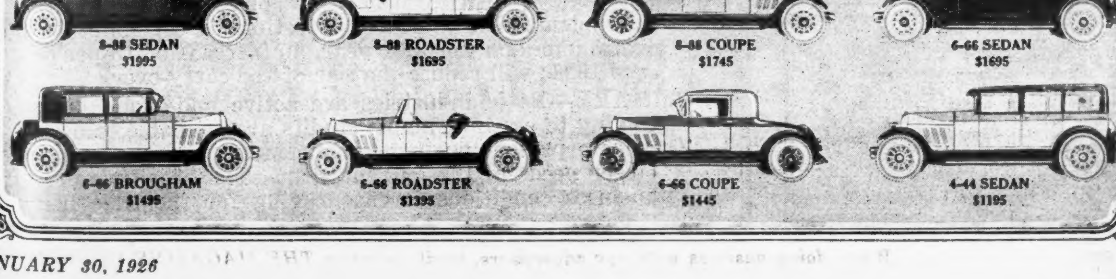
Straight Eight $1795

Auburn has had a good reputation for 25 years. (It had to be good to be one of the ***few*** cars to succeed that long.) But within the last year it has made the most sensational rise to the very top among the ultra fine, very exclusive, deluxe cars. Auburn's quality ascendency is emphasized more, as more manufacturers join the already crowded low-priced competition. It is optional with any factory whether it wants to be known as the builder of the ***most*** cars or of the ***best*** cars. ***Auburn's aim is the best!***

Nearly two years ago we started working for today's unqualified quality leadership. Last year our Eight was a daring improvement. Many said it was too good; that it could not be done for the price. We said it would force price revisions among old-style cars. It did. Our sales more than doubled. We could only supply 50% of our orders. Unparalleled value did it. And, great as it was, it was only the forerunner for 1926.

This year we offer an even ***better*** Eight, a better Six, and a wonderful new type of Four—larger motors, stronger frames, more expensive bodies, finer finish! Although our factory production has been greatly enlarged, the early demand for the unprecedented value of these new cars warrants us in cautioning you to order at once.

AUBURN AUTOMOBILE COMPANY, AUBURN, IND.



Business Situation Remains Encouraging

Activities in Trade and Manufacturing Channels Close to Pre-Holiday Peak—First Quarter Prospect Good

STEEL

New Business Satisfactory

SUBSTANTIAL orders for new cars and steel rails are offsetting what is frequently characterized as a "dead spot" in steel business at this time of the year. Orders for new cars, in the past week, from three railroads alone, represented more than a third of the entire business in steel cars placed during the month of December. Rail orders are being received in higher volume than in past years. There is little doubt that the railroads will be the best customers of the steel industry, at least during the first half of the current year.

Operations in the industry range from 85 to 90% of the theoretical ingot production capacity. Chicago is a busy district. Operations have been curtailed in the Cleveland district where the seasonal "dead spot" is more noticeable than in any other section of the country. In the Pittsburgh section, operations are at 90% capacity or

(*Please turn to page* 646)

COMMODITIES*

(See Footnote for Grades and Unit of Measure)

	1925 High	1925 Low	*Last
Steel (1)	$38.00	$35.00	$35.00
Pig Iron (2)	22.00	18.00	20.00
Copper (3)	0.15¼	0.13¼	0.14⅛
Petroleum (4)	3.80	3.00	3.65
Coal (5)	2.17	1.82	2.17
Cotton (6)	0.25⅝	0.19⅛	0.21
Wheat (7)	2.31¾	1.50	2.02
Corn (8)	1.27	0.78	0.77
Hogs (9)	0.14¼	0.10⅛	0.12¼
Steers (10)	0.14	0.10¾	0.10⅛
Coffee (11)	0.23⅞	0.17	0.18⅝
Rubber (12)	1.20⅛	0.35	0.85
Wool (13)	0.70	0.48	0.53
Tobacco (14)	0.24	0.22	0.22
Sugar (15)	0.04⅞	0.03¾	0.04⅛
Sugar (16)	0.07	0.05⅛	0.05¼
Paper (17)	0.09	0.03⅝	0.08¾

*Jan. 16.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

TRADE TENDENCIES

STEEL—Railroad business keeps new orders up to an entirely satisfactory level. Production holds to a range of from 85 to 90 per cent of capacity. The present price tendency is upward.

METALS—Producers look to the current year with optimism. They can do well on present rate of domestic consumption but welcome foreign buying on which the present market depends for any substantially higher price.

PETROLEUM—Production continues to decline. No general reduction in refinery output has been effected thus far in view of forthcoming seasonal increase in demand. Some refineries, however, are drawing on storage.

CHEMICALS—Consumption of most of the industrial chemicals continues at a good rate with prices holding to the average level effective last year. Good earnings of companies with diversified products should continue.

MACHINERY—Unfilled orders of most lines are large; higher costs of production and materials presage higher prices for machinery, particularly in lines where the current demand is heaviest.

RUBBER TIRES—Increased production schedules have resulted in larger supplies in the hands of manufacturers and dealers but not to an abnormal or alarming extent. Profit outlook uncertain, depending materially on future costs of materials.

AUTOMOBILES—At beginning of year approximately 2.3 million more cars were registered than last year compared with a production of around 3.5 million. Allowing for used cars, larger buying power is essential to continuance of present output.

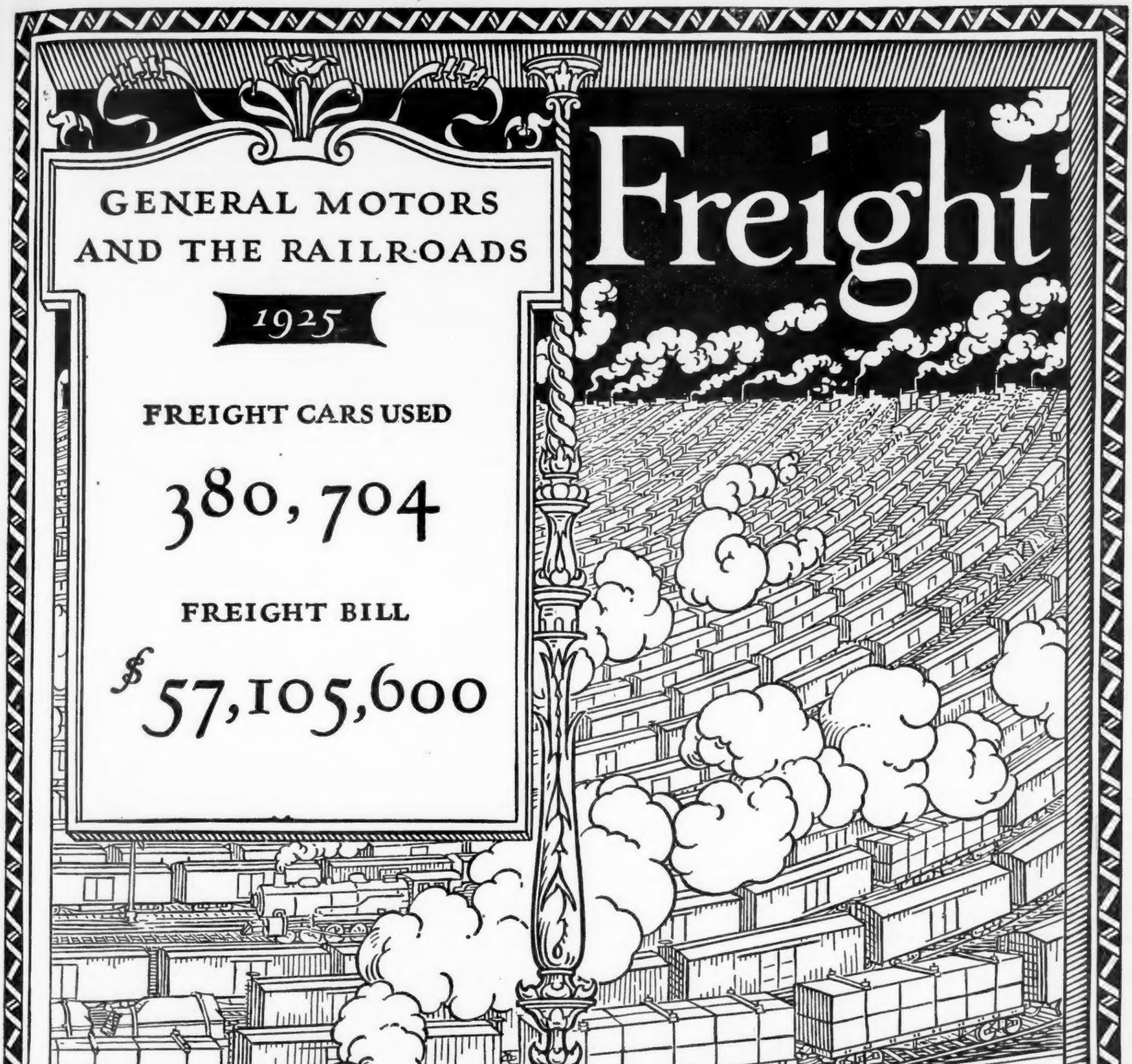
TEXTILES—Heavier movements were noted in the textile markets for various lines of finished staple cotton goods, such as denims, ginghams and percales. Rayon mixtures are more active. Mills have limited supply of goods for quick shipment.

RETAIL TRADE—Retail business has fallen off from sales volume of last month but is better than at this time last year. Numbers of Stores are notably successful in clearing their shelves with post holiday sales.

EQUIPMENT—Heavier replacement orders anticipated for the early part of the year are beginning to be received. With the roads continuing to enjoy record traffic, equipment companies are looking forward to good year.

SUGAR—The extent to which low prices are stimulating sugar demand is indicated in estimated consumption of over 5.5 million tons last year, an increase of 13 per cent over 1924; will reduce the size of the carry-over.

SUMMARY—Basic industries are active and trade is continuing to expand; ample credits are available to accommodate present business requirements and the probable larger needs of the current year. The broad picture of business conditions is encouraging for the time being.


GENERAL MOTORS
AND THE RAILROADS
1925
FREIGHT CARS USED
380,704
FREIGHT BILL
$57,105,600
Freight
G. M.
T. M. CLELAND
GENERAL MOTORS
BUICK · CADILLAC · CHEVROLET · OAKLAND · OLDSMOBILE · GMC TRUCKS

BUSINESS SITUATION REMAINS ENCOURAGING

(*Continued from page* 644)

better. Steel bars are among the most active of the finished products. Fabrications for the oil fields, represented principally in plates for storage tanks, are contributing to the activity in the Chicago mills. Structural steel orders are running on the same basis as in the previous month but some slackening is looked for in this item.

Steel prices, on the average, have not changed materially since the jump at the year end; further advances are anticipated. The record breaking production in 1925 was brought about by a steady and normal growth in consumption, entirely in line with the rate of expansion in steel consuming industries. Due to the fact that this large rate of output was in no way linked up with artificial demands or emergency requirements, the industry is operating on a healthy foundation at the present time.

METALS

Firm But Quiet

The market for non-ferrous metals, especially copper, continues to be sustained by the normal domestic consumption. With new uses for metal in this country, consumption has materially increased but it will take a renewal of exports to move prices into higher ground. The increasing use of copper is indicated in the government's calculation of almost 1.5 billion pounds consumed in the United States last year. This is very close to 1918, with its war time uses of the red metal, and is by far the largest consumption for any peace year. Anaconda Copper Co. and the mills of its affiliated companies used almost 40% of the copper output consumed in this country. The year's figure for exports was off from 1924, as was generally anticipated from reports of shipments during the year. Although the copper market is temporarily fairly quiet, producers still confidently look for higher prices in the not distant future.

Other non-ferrous metals are quiet but firm, with the exception of tin, which has fallen from its recent high level in sympathy with a weak market abroad. Lead is reported to be selling at a premium above the established prices of the American Smelting & Refining Co. and moving along in heavy volume. The outlook for zinc is particularly good. In spite of a slight increase in stocks at the end of the year there is no over-abundance of zinc and shipments for domestic account set a new monthly record for the month of December. Reports from the smelters indicate supplies on hand of about half the amount available at this time last year.

PETROLEUM

Outlook Continues Good

Sentiment is divided in the petroleum industry concerning the impending mark-up in crude prices. There is little question that sooner or later the present price structure will be adjusted to the advantage of the producer; the question is when will such revision do the industry the greatest good. Production has been declining with remarkable consistency for more than a half-year. New production will soon be needed, but there is little incentive for the drilling division of the industry until prices are at a higher level. Some of the refineries favor a price adjustment to assure a steady future supply of crude. Others fear another flood of new production unless prices are kept down. The latter group point to the large supplies of refined products on hand, and argue that the industry will not be in a healthy state until a portion of these stocks are worked off.

The supply of refined products on the Pacific Coast is still a potential menace to the welfare of the petroleum industry and the stability that the present price structure affords is welcomed by the California division of the industry. No doubt the more enlightened course would be to postpone crude price adjustment, at least, to a period when the larger seasonal consumption of gasoline materializes. Production has a way of taking care of itself and there is little ground for worry on the side of a short supply of crude, even with the maintenance of current prices. It is quite likely that the conservative element will prevail and no price changes will be announced for the immediate future.

Commodities Section
Cotton—Wheat—Corn

COTTON After two weeks of a cotton market influenced almost wholly by technical positions, new life was injected by the first important government report in some months. Tests conducted in Louisiana indicate, according to this report, that the hibernation of the boll weevil this winter is the greatest since 1915. In that year the crop was about 12 million bales. It does not follow that this situation would be duplicated in 1926. The 1915 crop followed the record crop of 1914, which witnessed the worst collapse in cotton prices in years. Hence weevil destruction was not the only cause for a short crop in 1915. Nevertheless the large amount, perhaps 3 million bales, of inferior quality cotton in the 1925 crop, means that the carry-over in 1926-27 will not be as important as the mere size of the crop indicated. Hence such a quality shortage in carry-over, joined with weevil fears, was enough to put up distant options, more especially October. It was bid up to 18.25 cents. The near options were strengthened, not so much by the weevil situation, but largely because of technical conditions. Heavy mill demand at 19 cent levels, resulted in March gaining to 20.30 cents. Spot middling is 21.05 cents. Should the weevil fears be confirmed, undoubtedly intermediate options as well as October would be higher.

WHEAT Wheat had a colorless fortnight. Volume of trading was small. Slight changes in export position or in available world supply figures sold down May and July, and then short covering restored the balance. Two decisive facts stand out, nevertheless. One is that Europe is not at all interested in our cash wheat offerings. The other is that an export of 63 million bushels of wheat and of the flour equivalent of wheat, has stripped us of export possibilities and has left us with no domestic carry-over for 1926-27. Last year, despite the high prices on late options at this time of the year, carry-over promised to be 87 million bushels. European demand, however large, last year could not speedily absorb all of our offerings at the high prices. Superficial observers would have concluded that our abundant crop last year, with bad supplies elsewhere, would have taken up enough wheat to leave no carry-over. But a short domestic crop, coupled with a 42 cent tariff, reduces carry-over far more than a large export demand when our crop is abundant.

Chicago prices are: May, $1.76; July, $1.52, and September, $1.44. Winnipeg, on the other hand, is still weak with July at only $1.57. Quality for quality this makes Winnipeg cheaper than Chicago for the European buyer. Low grade Argentines are selling in Europe on a price basis, also.

CORN Cash corn has shown surprising weakness. This weakness can hardly be accounted for by the available supply, which is only 1.4 million bushels, or less than 5% greater than prevailed at the same time last year. Cash corn ruling at 18 to 22 cents below the May option is at the largest discount in years. Perhaps marketing difficulties, resulting in arrivals of corn in poor condition, have caused this discount. Better marketing seems to have come into evidence, so that cash grain ought soon to close up the spread between itself and May. Although corn has been the object of continued successful bearish attacks, it has had sympathetic recoveries whenever wheat proves strong. Distant options are still in favor, September commanding 88 cents and July 86.

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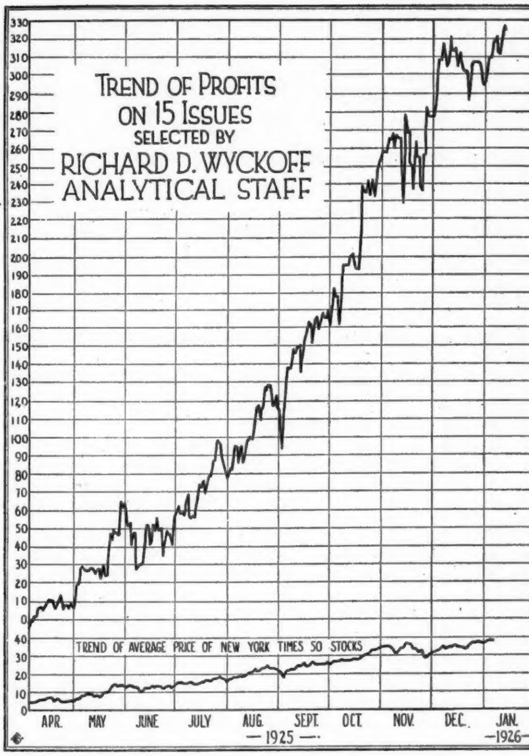

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Jan. 30

Income Tax Department

Conducted by

M. L. SEIDMAN

of Seidman & Seidman, Certified Public Accountants

THIS department, which is conducted by Mr. M. L. Seidman, C. P. A., one of the best known tax experts in the country, will be published regularly until the March 13 issue. To further the scope of this department, Mr. Seidman will answer through our columns any questions bearing on the subject. Questions should be addressed to The Tax Editor, in care of this publication. All communications must be signed but names will not be disclosed in the published answers.

IN the last article we discussed the question of personal exemptions and we learned that an unmarried individual is entitled to an exemption of $1,000, unless he is the head of a family, which gives him an exemption of $2,500. We also found that a married person gets an exemption of $2,500.

In addition to the personal exemptions, there is what is known as a credit for dependents. A credit of $400 is allowed for each person receiving the chief support from the taxpayer.

Let us analyze this a bit further. In the first place, what do we mean by a "dependent"? A dependent is defined as a person under the age of eighteen or one who is mentally or physically incapable of self-support. No matter how dependent in fact one person may be upon another, if that person is over the age of eighteen and is mentally and physically capable of self-support, the other cannot take the $400 credit. Thus, a parent supporting a nineteen year old child through college would not be allowed the $400 for the support of that child, nor could a son take credit for the support of a parent, even though the son was the chief support of the parent, if the parent were mentally and physically capable of self-support.

Then, the taxpayer must be the chief support of the dependent. By "chief" is meant that the person claiming the credit must contribute to more than 50% of the amount required to support the dependent. It is therefore apparent that two persons cannot claim the credit for the support of the same dependent. On the other hand, unless there is one person who is the chief contributor to the support of a dependent, it may be that nobody can claim the $400 allowance. Thus, if two brothers were to contribute equally to the support of a parent, neither one of them could take the $400 credit, because neither one of them would be the chief support of the parent.

Note also that the $400 is allowed for each dependent. Where the taxpayer is the chief support of three individuals, his credit for dependents is therefore $1,200. However, it is important to remember that a husband cannot take the $400 credit for the support of his wife, or vice versa, even though one is absolutely dependent on the other and may be less than eighteen or mentally and physically incapable of self-support. Apparently, Congress felt that in allowing the husband and wife a $2,500 personal exemption, ample allowance was made for the general dependency of one upon the other.

On the other hand, the head of a family, in addition to his $2,500 exemption, can take the $400 credit if the person or persons dependent upon him come within the definition of a dependent. A man living with his dependent mother, therefore, would be entitled to a total exemption of $2,900. It should be noted that even if his mother were capable of self-support, the son would still be entitled to the $2,500 exemption as head of the family, although he could not take the $400 credit, assuming, of course, that the mother was in fact dependent on the son. As we have previously seen, all that is necessary to establish a person as the head of a family is that he actually support and maintain in his own household one or more persons, irrespective of the age or mental and physical condition of those other persons.

For fear that a contrary conclusion might otherwise be drawn from the foregoing, let it be specifically stated that it is not necessary for the dependent to live with the taxpayer in order that the taxpayer can take the $400 credit. That question is involved only to determine whether one is the head of a family. But the matter of dependents alone, the $400 credit is applicable irrespective of where the dependent may reside. For that reason, a son who contributes to the chief support of his parents who live in a foreign country would be entitled to take the credit for their support.

Nor should it be inferred that the dependent must be related to the taxpayer. That is not required at all. The credit may be taken whether the dependent is related to the taxpayer or not, so long as there is a real dependency as previously defined.

In discussing the personal tax exemptions we saw that where a person was married during the year his exemption was pro-rated, based upon the number of months he was single and the number of months he was married. However, the credit for dependents is governed by the situation at the last day of the year. A parent might support a child throughout the entire year, yet if the child's eighteenth birthday fell on the last day of the year, or any time before that, the parent could not claim the $400 credit. On the other hand, if a child is born on the last day of the year, the parent supporting it can take the full $400 allowance.

Let us now summarize what we have observed concerning the credit for dependents. We have seen that the taxpayer is entitled to a $400 credit for each person under the age of eighteen or mentally or physically incapable of self-support receiving his chief support from the taxpayer. It was also brought out that a husband cannot claim credit for supporting his wife, or vice versa, and that it is not necessary for the dependent to reside with the taxpayer, or be related to him. Furthermore, it is the situation on the last day of the year that determines the amount, if any, that a taxpayer may be entitled to as a credit for dependents, irrespective of what may have been the situation at any other time of the year.

Thus far in the series we have considered who is subject to the income tax, who must file returns, and the personal exemptions and credits allowed. We are now ready to consider the tax rates and the computation of the tax. That will form the basis of the next article.

Important Corporation Meetings

Company	Specification	Date of Meeting
Ontario Silver Mining	Annual	1-30
Studebaker Corp	Pfd. & Com. Divs.	1-30
Cushman's Sons	Pfd. & Com. Divs.	2-1
Detroit Edison	Special & Annual	2-1
Brown Shoe	Com. Div.	2-2
Continental Insurance	Annual	2-2
Fidelity-Phenix Fire Ins	Annual	2-2
General Asphalt	Directors	2-2
Guantanamo Sug	Pfd. Div.	2-2
Munsingwear, Inc.	Annual	2-2
Phoenix Hosiery	1st & 2nd Pf. Divs.	2-2
Royal Baking Powder	Annual	2-2
Sterling Products	Annual	2-2
Timken Roller Bearing	Dividend	2-2
Trumbull Steel	Pfd. & Com. Divs.	2-2
Fed. Light & Trac	Pfd. & Com. Divs.	2-3
General Cigar	Special	2-3
Stand. Gas & Elec	8% Pfd. Div.	2-3
Brooklyn Union Gas	Annual	2-4
May Dept. Stores	Directors	2-4
Metro-Goldwyn Pictures	Annual	2-4
Famous Players	Com. Div.	2-5
Franklin Simon	Pfd. Div.	2-5
Humble Oil	Annual	2-5
Independent Oil & Gas	Annual	2-5
Independent Oil & Gas	Dividend	2-5
McCrory Stores Corp	Com. Div.	2-5
Standard Oil of Ohio	Annual	2-5
American Can Co	Annual & Special	2-9
Gillette Safety Razor	Annual	2-9
Kuppenheimer, B	Pfd. Div.	2-9
Phila. Electric	Directors	2-9
Remington Type	1st & 2nd Pfd. Divs.	2-9
U. S. Hoffman Mach	Annual	2-9
American Sugar	Directors	2-10
Eastman Kodak	Pfd. & Com. Divs.	2-10
Foundation Co.	Dividend	2-10
Marland Oil	Directors	2-10
National Biscuit Co	Annual	2-10
General Motors	Pfd. & Com. Divs.	2-11
Union Pacific	Pfd. & Com. Divs.	2-12

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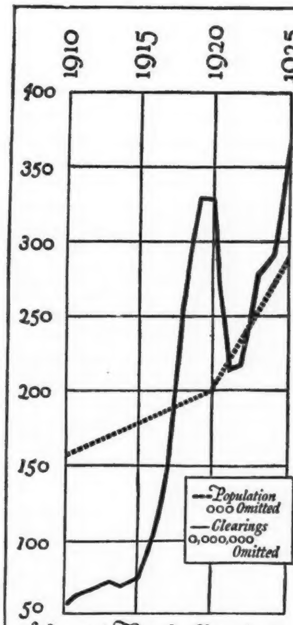

Atlanta's Bank Clearings
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FAKE OFFICIAL ANNOUNCEMENTS

(*Continued from page* 613)

gist of the statements therein. Competition is very keen, but news that ultimately harms its readers is certainly not profitable for a paper to print.

Going one step further, the busy business man must give just a trifle more thought to statements for publication. Don't be in such a hurry Mr. President and Mr. Chairman of the Board lest you say something that may be misconstrued. It is seldom, if ever, that our President, Mr. Coolidge, or Judge Gary, of the Steel Corporation, or many other executives that we might name, ever makes an official announcement about which there has developed any doubt as to its meaning and subsequent interpretation. On the other hand, I have often heard it remarked that a careful study of the announcements of one of our famous magnates will reveal the fact that you can almost always sell the market short after one of his bullish spasms and make money.

It is well for investors and traders alike to remember that official announcements sometimes are allowed to play too prominent a part in the operations of the security markets. Their importance is generally over-estimated. What seems like a mountain may be only a plain and what was expected to make a great stir in the market very often passes unnoticed. How often have you waited for some important announcement to show up on the news ticker or to be flashed over thousands of miles of telegraph wires and then see the market make a false start one way only to reverse itself within a few minutes under the ultimate control of sane leadership after the excitable crowd have made their play and shot their bolt. You might just as well have ignored the event and stayed home holding your stock. No, "official" announcements don't mean much sometimes and very often much money may be saved by taking them "with a grain of salt."

But one of the roots of this evil seems to lie in the fact that too many business executives, drawing large salaries or with large interests at stake, are more interested in the stock market than they are in building up the business. Making a market for your stock does not necessarily increase the profits of your concern. But building up your business is bound to make for appreciation in the price of the stock because of larger profits and dividends. The public then won't need any official announcements except an earnings statement or a balance sheet.

There would then be a large list of satisfied stockholders and that is the best advertisement a concern can boast. Furthermore, if the truth cannot be published, silence is golden. Nowadays, the hot air merchants do most of the talking and the wise heads silently profit. The public will sooner or later come to realize that it is more profitable to be a stockholder in a substantial concern, where there are few but reliable announcements, than to be a partner in a concern where the officials spend about half of their time watching the ticker, building up an artificial market that must eventually collapse and leave a bad taste in the mouth of the stockholders.

By avoiding securities whose officials have been known to make statements of doubtful intent; by exercising a little more caution on the part of officials, and news publications in what is said and what is allowed to go to press; by having a certain amount of disregard for official announcements until their meaning is fully interpreted; and by a larger devotion on the part of business executives to the duties for which they are responsible to their board of directors, we can all assist in bringing about a condition where inside manipulation is reduced to a minimum. The best investment sells on its merits in the long run and doesn't need any false ballyhoo.

THE STORY OF THE BALANCE SHEET

(*Continued from page* 637)

customers, advances to salesmen and "down money" on new business and inventories, making a total of $1,218,120. Unlike the value of the property and equipment, the above sums are liable to change and do change from day to day. The cash may be used to pay bills, advances to salesmen may be increased, part of the inventory will be sold and this item will be lowered while cash will increase. Customers may pay their bills, reducing the item of receivables, while credit may be granted to other customers which would increase this figure. These assets are called "current assets" because they change constantly.

This covers all of the assets listed on the asset side of the Seagrave Corporation. If you total them you will see that they amount to $2,352,408. But the corporation has some outstanding liabilities and, in order to calculate the net worth of the corporation, all these liabilities must be subtracted from the total assets. The Seagrave Corporation has an issue of preferred stock with a total par value of $1,190,000. This is a liability of the corporation in the sense that it has agreed to pay a fixed income (when earned) to the preferred shareholders before paying any income to the owners of the company, namely, the common shareholders. It also has some current liabilities, to wit, unpaid bills, commissions due its employees and unpaid taxes. The total of all these is $1,272,408. By subtracting this amount from the total assets you will have a balance of $1,080,000. Usually this balance is called the surplus. It represents the net worth of the corporation. As the common shares represent ownership of the corporation you can calculate the prorata value of the common stock by dividing the number of shares into this surplus. This figure is called "book value" of the stock. The Seagrave auditors merely list the stock at this figure to make their balance sheet "balance."

In analyzing a balance sheet it is important to know just how the figures in the right hand column are arrived at. In other words, why is the property value set at $1,125,968? Why not $1,500,000 or $1,000,000? In the Seagrave balance sheet the auditor explains that this figure represents the "appraised sound value." This means that someone capable of judging the value of this kind of property *holds the opinion that it is worth* $1,125,968. Sometimes property values are set down at the exact amount they have cost the company to build or acquire, less a certain amount for depreciation each year. A property may cost two million, ten years ago, show a half a million depreciation and would therefore be carried at a million and a half. However, the real worth of the property may have increased to three million during this time or fallen to less than one million.

It is important to remember that the appraised value of fixed property *is only the auditor's opinion* and that he is usually guided by what the management believes its property to be worth. Should the auditor be inclined to give a generous valuation, the corporation would have more assets showing on its balance sheet and (liabilities remaining fixed) the surplus or net worth would be high. The reverse, of course, would be true if the auditor gave a conservative valuation.

An analyst will not always take the values listed on the balance sheet at their face value. Good will is another item that is listed at an arbitrary figure. On the other hand, such items of current assets as cash, bills receivable, inventories, securities owned are arrived at after an actual count of the cash, the receivables or inventories.

A company is considered to be in a good financial condition if its *current* assets exceed its *current* liabilities by a good margin. In other words, does the company have a large supply of assets that it can turn into cash quickly and pay its *current* debts? If not it may be faced with bankruptcy, even though the *total of its assets* far exceeds its *total liabilities*. The Virginia-Carolina Chemical and St. Paul receiverships are notable examples of such a situation. The Seagrave Company, which we are using as an example, has current assets (assets which can be turned into cash) of $1,218,000, of which $124,523 is already in cash. Its total current liabilities are only $82,408. We conclude, therefore, that the company is in a good financial position.

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sale 1/20/26	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	140⅛	91¾	139	130	131¾	7
Do. Pfd.	106¾	96	102⅛	75	98	72	95⅛	94⅛	95	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	262½	236	250	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	94½	27⅝	95¾	89⅛	90⅛	5
Do. Pfd.	96	77¼	80	48¼	67¾	38½	69	67½	†67¾	4
Bklyn-Man. Transit	..	..	..	..	64	9⅛	61¼	56¼	57¼	3
Do. Pfd.	..	..	..	..	83¾	31⅝	83¾	81	†82¼	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	148⅞	146½	147½	10
Chesapeake & Ohio	92	51⅛	71	35⅝	130½	46	128½	115	117¼	4
Do. Pfd.	..	..	..	..	130	96	127	119	119	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	14⅛	10⅜	12½	..
Do. Pfd.	181	130½	143	62½	76	7	22¼	18⅞	19	..
Chic. & Northwestern	198½	123	136⅞	35	105	45⅞	81⅞	72½	73⅞	4
Chicago, R. I. & Pacific	..	..	45¾	16	58⅞	10⅛	60¾	55½	58	..
Do. 7% Pfd.	..	..	94¾	44	105	64	100	99	100	7
Do. 6% Pfd.	..	..	80	35¾	93¾	54	87¾	86	87¼	6
Delaware & Hudson	200	147½	159½	87	160¼	83¼	165½	153¼	153¾	9
Delaware, Lack. & W.	840	192½	242	160	260½	93	153½	142	144½	‡8
Erie	61¼	33½	59⅛	18¾	39½	7	40	33¾	34½	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	49¼	11⅛	45⅝	41½	42⅜	..
Do. 2nd Pfd.	89⅛	19⅛	45⅝	13⅛	46¼	7⅛	43	39	†39½	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	78⅝	73¼	73⅞	5
Hudson & Manhattan	..	..	..	..	38⅜	20⅝	37⅞	35⅛	36¾	2½
Illinois Central	162⅛	102¾	115	85¾	125½	80⅞	124	118⅛	119	7
Interboro Rap. Transit	..	..	..	..	39¼	9½	32¾	24½	27½	..
Kansas City Southern	50¼	21⅜	35⅛	13⅛	51	13	49⅜	43⅜	45½	..
Do. Pfd.	75½	56	65⅛	40	63¼	40	62⅞	61⅞	62	4
Lehigh Valley	121¼	62½	87⅛	50⅝	88½	39⅛	85⅞	80	81	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	143	130⅛	133	6
Mo., Kansas & Texas	*51⅛	*17⅛	*24	*3⅛	45⅛	*¾	43¼	39⅞	40¾	..
Do. Pfd.	*78¼	*40	*60	*6½	92½	*2	95	91	91¾	5
Missouri Pacific	*77½	*21½	38½	19⅞	41¾	8¼	40¼	36⅝	37¼	..
Do. Pfd.	..	..	64⅞	37½	91⅛	22¼	89¼	85	86	..
N. Y. Central	147¾	90⅝	114¼	62½	137⅛	64⅛	135⅝	126¾	128	7
N. Y., Chi. & St. Louis	109¾	90	90¾	55	183	23¾	181¾	174	†172	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21⅛	47	9⅝	45¾	41	41½	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	28½	25	25¾	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	151⅜	84¼	157¼	147⅜	154⅞	‡7
Northern Pacific	150½	101¾	118⅞	75	99⅞	47⅞	76½	71⅜	72¾	5
Pennsylvania	75⅝	53	61½	40¼	55⅜	82¼	55⅛	53¼	54	3
Pere Marquette	*36½	*15	38⅛	9½	85½	12⅛	86	82⅜	83	4
Pittsburgh & W. Va.	..	..	40⅜	17¾	123	21⅛	119⅜	112½	113	..
Reading	80⅝	59	115⅛	60⅛	108	51⅞	90¼	84	84¾	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	40¾	40	40	2
Do. 2nd Pfd.	58¾	42	52	33¾	65½	33⅛	41½	40⅛	40⅝	2
St. Louis-San Fran.	*74	*13	50⅛	21	102¼	10¾	100⅜	96	99⅝	7
St. Louis Southwestern	40⅜	18½	32⅛	11	69¼	10⅞	71⅜	64	64⅝	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	51	43	45	..
Do. Pfd.	56½	23½	58	15⅛	51½	3	47¾	43	44¼	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	104¼	98	100⅝	6
Southern Railway	34	18	36¾	12½	120½	120⅛	119¾	111⅞	115½	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	92½	90¼	91	5
Texas & Pacific	40½	10¼	29½	6½	70½	14	61⅝	55¾	58	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	150	145¼	145¼	10
Do. Pfd.	118½	79¾	86	69	80	61⅛	75¾	74¾	75½	4
Wabash	*27⅞	*2	17½	7	47¼	6	52	42⅞	47	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	73⅞	17	78¾	73	75½	5
Do. Pfd. B	..	..	32⅞	18	60½	12¼	66¾	60	64¾	..
Western Maryland	*56	*40	23	9¼	18⅜	8	16⅝	15⅜	15⅝	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	30½	11	24	22¼	†21¾	..
Western Pacific	..	..	25⅛	11	40	12	39¼	35¾	36	..
Do. Pfd.	..	..	64	35	86½	51⅛	80½	77⅛	78	6
Wheeling & Lake Erie	*12⅞	*2⅛	27⅜	8	32	6	32	27⅜	28½	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	50½	47½	48¾	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1925 High	Low	1926 High	Low	Last Sale 1/20/26	Div'd $ Per Share
Adams Express	270	90	154½	42	117¼	22	109	104	104	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	11¼	9¾	9¾	..
Allied Chem. & Dye	..	..	..	..	116⅝	34	120½	112	115	4
Do. Pfd.	..	..	..	..	121¼	83	120½	120	120	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26½	94½	90¼	90½	6
Do. Pfd.	43	40	92	32½	109	67½	110	109	†105	7
Am. Agric. Chem.	63⅝	33½	106	47¾	113¾	7⅛	34⅜	26¾	32⅜	..
Do. Pfd.	105	90	103½	89⅛	103	18¾	96½	80	92½	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	35½	31¾	32¼	4
Am. Bosch Magneto	..	..	..	..	143⅞	22¼	34⅜	28¼	28¾	..
Am. Can	47⅜	6⅞	68½	19¼	*297⅜	*21¾	296¾	275½	280	10
Do. Pfd.	129¼	98	114½	80	121⅞	72	122¼	121	†122	7
Am. Car & Foundry	76½	36½	98	40	*201	97½	114⅞	109	111¼	6
Do. Pfd.	124¾	107½	119½	100	128	105¾	125	124	125	7
Am. Express	300	94¾	140½	77½	175	76	140	132	133	6
Am. Hide & Leather	10	3	22⅛	2½	48⅛	5	16⅜	13	13¼	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	64	60⅛	60¼	..
Am. Ice	..	..	49	8⅞	139	37	135¾	125¾	125¾	‡8
Am. International	..	..	62¾	12	132¼	17	45½	42⅛	42¾	..
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	87	82	84	7
Am. Locomotive	74¾	19	98¼	46⅜	144⅞	58	119⅞	111½	113	8
Do. Pfd.	122	75	100	93	124	96½	120	118½	120	7
Am. Metal	..	..	..	..	57⅝	38¾	56	51⅛	52	4
Am. Radiator	*500	*200	*445	*235	*345	64	115½	109½	110⅜	4
Am. Safety Razor	..	..	..	..	76¾	*3½	63	55¼	57	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	6¾	5½	5⅞	..
Am. Smelt. & Ref.	105½	56⅝	123¾	50¼	144½	29¼	144¾	130¼	133	7
Do. Pfd.	116¾	98¼	118⅞	97	115¼	63¼	115⅛	113	115⅛	7
Am. Steel Foundries	74½	24⅛	95	44	50	18	46⅞	44	44¼	3
Do. Pfd.	..	..	..	..	113⅛	78	113⅛	113	†113	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	79	74⅛	75⅝	5
Do. Pfd.	133½	110	123½	106	119	67½	103	102	†102	7
Am. Sumatra Tobacco	..	..	145¾	15	120⅛	6	14⅜	11	11⅝	..
Do. Pfd.	..	..	103	75	120⅛	22½	†88	†88	†88	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	145	92⅛	143⅜	142½	143	9

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 8 ems— 1919-1925 High	Low	1926 High	Low	Sale Last 1/20/26	$ Per Div'd Share
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	116⅞	114¼	115¾	‡8
Do. Com. B	..	..	..	..	*210	81¼	115⅝	113½	114½	‡8
Am. Water Wks. & Elec	..	..	..	..	*144	*4	74	68	70⅝	1.20
Am. Woolen	40⅝	15	60⅞	12	169½	34¾	42⅞	38⅛	39¼	..
Do. Pfd.	107¾	74	102	72½	111⅞	69⅛	89¾	86½	†86¼	7
Anaconda Copper	54⅜	27½	105⅝	24¼	77⅞	28½	50⅝	46⅛	47⅜	3
Associated Dry Goods	..	..	28	10	*140⅛	46½	54⅞	51	51	2½
Do. 1st Pfd.	..	..	75	50½	102	49⅝	102⅛	101¼	101⅛	6
Do. 2nd Pfd.	..	..	49½	35	108	38	107¾	107½	†107	7
Associated Oil	..	..	*78¾	*52½	*142	24⅞	53⅞	44¾	53⅝	2
Atl. Gulf & W. Indies	13	5	147¾	4⅛	192⅝	9¼	68⅝	61	63⅛	..
Do. Pfd.	32	10	74¾	9⅞	76⅛	6⅜	56¼	53	54½	..
Atlantic Refining	..	..	..	..	*1575	78⅛	109	105	105	..
Austin Nichols	..	..	..	..	40⅝	8	27	25	25	..
Do. Pfd.	..	..	..	..	95	50⅝	93	90	90	7
Baldwin Locomotive	60¾	36½	154½	26⅝	156¼	62¼	136½	123	126	7
Do. Pfd.	107½	100¼	114	90	118	92	113	111	111	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	50¼	46⅜	47⅜	..
Do. 7% Pfd.	80	47	186	68	108	87	101¾	100⅜	101½	7
Do. 8% Pfd.	..	..	110½	92½	116⅝	90	116	115	†115⅝	8
Brooklyn Edison Electric	134	123	131	87	156⅛	82	138	133½	134¼	8
Brooklyn Union Gas	164⅛	118	138¾	78	*128	41	78¾	74½	75	‡4
Burns Brothers	45	41	161½	50	147	76	135¾	129¾	131⅝	10
Do. B	..	..	..	..	53	17	40	36	36⅛	2
Butte & Superior	..	..	105¼	12¼	37⅞	6⅛	16¼	14¼	14⅛	2
California Packing*	..	..	50	30	136½	48¼	141¾	129⅛	140¼	6
California Petroleum	72½	16	42⅝	8	71⅞	15⅜	34⅛	30⅝	31½	2
Central Leather	51¾	16½	123	25⅞	116½	9⅝	20½	18½	18½	..
Do. Pfd.	111	80	117½	94⅞	114	28½	68¾	63	64	..
Cerro de Pasco Copper	..	..	55	25	67½	23	63⅛	57⅞	58	4
Chandler Motor	..	..	109⅞	56	141¼	26⅞	49	45½	46¼	3
Chile Copper	..	..	39¼	11¼	38⅜	7	36⅜	33¼	33⅞	2½
Chino Copper	50⅝	6	74	31⅜	50⅞	14¾	19⅝	18¼	†17	..
Chrysler Corp.	..	..	..	..	*253	*108¼	54⅞	47½	48⅞	..
Do. Pfd.	..	..	..	..	111⅞	100⅛	108	105¾	†105	8
Coca Cola	..	..	..	..	177¾	18	155¾	146½	150	7
Colorado Fuel & Iron	53	22½	66⅛	20⅛	56	20	38	34¾	35	..
Columbia Gas Elec	..	..	54⅛	14¼	*114⅞	30¼	90	83⅛	85¾	2.60
Congoleum-Nairn	..	..	..	..	*184⅜	15⅞	18¼	16⅛	16⅞	..
Consolidated Cigar	..	..	..	..	80	11⅜	64¾	59¼	60⅜	..
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	100	94½	97	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	83⅜	83⅞	6
Corn Products Refining	26½	7⅝	50½	7	*160½	21⅛	43⅜	40⅛	40¾	2
Do. Pfd.	98½	61	113½	58⅛	127	96	123¾	122½	†122	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	48	81½	77½	78¼	5
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	10¾	9⅛	†9½	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	46¾	43	45⅝	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	27⅜	24¼	27¼	2
Cuyamel Fruit	..	..	..	..	74½	44	51	46	†47½	4
Davison Chemical	..	..	..	..	81¼	20⅜	43½	38⅛	39½	..
Dupont de Nemours	..	..	..	..	271¼	105	238⅞	216⅛	221	‡8
Eastman Kodak	*No Sales		*605	*605	*690	70	112¾	108¼	108⅞	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	75	73	73⅛	‡5
Endicott-Johnson	..	..	..	..	150	44	69½	67½	67½	5
Do. Pfd.	..	..	..	..	119	84	116	114	†112	7
Famous Players-Lasky	..	..	..	..	123	40	109⅞	103⅛	106	8
Do. Pfd.	..	..	..	..	120	66	118¼	116½	†115	8
Fisher Body	..	..	43	25	*240	60¼	105¾	95	96⅛	5
Fisk Rubber	..	..	..	..	55	5½	26¼	23	24¼	..
Do. 1st Pfd.	..	..	..	..	116½	38⅛	115	111¼	113	7
Fleischmann Co.	..	..	..	..	*171½	*75	56⅜	50¾	52⅞	..
Foundation Co.	..	..	..	..	183¾	58½	177½	155¼	176	8
Freeport-Texas	..	..	70½	25¾	64⅜	7½	24⅞	19⅝	23¾	..
General Asphalt	42⅞	15½	39⅜	14¼	160	23	73	64½	67	..
General Cigar	..	..	..	..	115¼	47	116⅞	110¼	111	8
General Electric	188½	129¾	187¼	118	337¼	109½	347½	323	338½	8
General Motors	*51¾	*25	*850	*74½	149¾	*8⅛	127¾	115¾	118½	‡6
Do. 7% Pfd.	..	..	..	..	115	95⅛	115½	114	114⅞	7
General Petroleum	..	..	..	..	59⅛	38⅜	59½	54¾	56	3
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	65¾	60½	61¾	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	98	96¾	98	7
Goodyear T. & R. Pfd	..	..	..	..	114⅝	35	105	103¼	103½	7
Do. prior Pfd.	..	..	..	..	103	88	106	105½	†105	8
Granby Consolidated	78¼	26	120	58	80	12	22⅝	19⅝	19¾	..
Great Northern Ore Ctfs	88½	25½	50⅜	22½	52¾	24⅞	26⅞	25½	25½	1¾
Gulf States Steel	..	..	137	58¾	104⅝	25	93⅜	86	87	5
Hayes Wheel	..	..	..	..	52⅞	30	46	42⅝	43¼	3½
Houston Oil	25½	8¼	86	10	116½	40½	72	64	65¾	..
Hudson Motor Car	..	..	..	..	139½	19½	123¼	106½	110	3
Hupp Motor Car	..	..	11¾	2½	31	4⅝	28⅜	25	25¼	1
Inland Steel	..	..	..	..	50	31⅛	43½	41	41½	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	22⅛	25¾	23¼	23⅝	2
Inter. Business Mach	..	..	52⅝	24	176¼	28¾	147½	140	143¼	3
Inter. Combustion Eng	..	..	..	..	69½	19⅝	64½	53⅛	55	2
Inter. Harvester	..	..	121	104	149⅝	66¾	132¾	124	126½	5
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	11¼	9⅝	9¾	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	42¾	37¾	38⅞	..
Inter. Nickel	*227¼	*135	57½	24½	48½	24¼	46¼	41⅜	42⅝	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	63⅜	56¼	58	..
Kelly-Springfield Tire	..	..	85¼	36⅞	164	9¾	19¼	17¼	17⅝	..
Do. 8% Pfd.	..	..	101	72	110	33	70⅜	70⅜	†68½	..
Kennecott Copper	..	..	64¼	25	59¼	14⅝	57⅞	54	54¼	4
Kinney (G. R.) Co.	..	..	..	..	103	35½	82⅛	80	80	4
Lima Locomotive	..	..	..	..	74⅞	52	69¾	64¼	64¼	4
Loew's, Inc.	..	..	..	..	44¾	10	40¾	37½	38	2
Loft, Inc.	..	..	..	..	28	5⅛	7⅝	7⅛	7⅛	..
Lorillard (P.) Co.	*215½	*150	*239⅞	*144½	*245	30¼	38¼	35¼	36⅝	3
Mack Trucks	..	..	..	..	242	25⅛	159	144	146⅝	6
Magma Copper	..	..	..	..	46	26⅛	43½	41	41	3
Mallinson & Co.	..	..	..	..	45	8	28⅛	24¼	24¾	..
Maracaibo Oil Explor	..	..	..	..	37½	16	28⅞	24¼	24¾	..
Marland Oil	..	..	..	..	60½	12⅛	59⅞	55	56¼	4

New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1925		1926		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	High	Low	1/20/26	Share
May Department Stores	*88	*65	*97½	*35	*174¾	*60	137½	126⅝	128⅝	5
Mexican Seaboard Oil	..	..	..	..	34½	5¾	12⅛	9⅝	10	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	12⅜	11⅞	11⅞	1
Montgomery Ward	..	..	..	..	82½	12	82	71¼	73⅝	..
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	83½	74	83	‡3
National Dairy Prod.	..	..	..	..	81⅞	30⅛	80	74¾	75¼	3
National Enam. & Stamp	30¼	9	54½	9	89½	18⅛	40½	35⅛	35⅛	..
National Lead	91	42½	74⅝	44	174¾	63½	174¾	164	166	8
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	42¼	36½	38⅜	2
Do. Class A	..	..	..	..	57⅛	45⅛	57	55¼	56⅛	4
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	37	34	34	..
North American	*87⅞	*60	*81	*38⅞	*119½	17⅛	67	63¼	65⅜	§10%
Do. Pfd.	..	..	..	..	50½	31⅞	50½	49	50¼	3
Pacific Oil	..	..	..	..	78½	27½	78¾	74¼	77	3
Packard Motor Car	..	..	..	..	48½	9⅞	43⅜	38	38½	2
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	88⅛	76½	65¾	67½	1
Do. Class B	..	..	..	..	111¾	34⅛	78⅜	67½	69⅜	6
Philadelphia Co.	59¼	37	48⅞	21⅛	68¾	26½	70¼	63	63⅝	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	46¼	41½	41⅝	..
Phillips Petroleum	..	..	..	..	69⅝	16	47	42⅞	43¾	3
Pierce-Arrow	..	..	65	25	99	6⅛	43⅛	35⅝	38⅜	..
Do. Pfd.	..	..	109	88	111	13½	108⅞	*94	104	..
Pittsburgh Coal	*29⅜	*10	58¾	37½	74⅝	37¼	42½	39¾	40	..
Postum Cereal	..	..	..	..	*134	*47	114½	106⅛	108⅞	4.40
Pressed Steel Car	56	18½	88¼	17¼	113¾	39	79¾	68¾	72½	..
Do. Pfd.	112	88½	109⅛	69	106	67	95¾	91	91	7
Pub. Serv. N. J.	..	..	..	..	87⅞	39	92⅛	79⅜	90⅝	5
Pullman Company	200	149	177	106⅛	173½	87¾	174	164¾	169	8
Punta Alegre Sugar	..	..	51	29	120	24¾	46¼	39	43¾	..
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	31	28⅝	29¼	1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	46⅝	41	42¾	..
Railway Steel Spring	54½	22¼	78½	19	182	67	175½	163	163	10
Do. Pfd.	113⅜	90¼	105½	75	122	92½	120⅛	119½	†120¼	7
Ray Consol. Copper	27½	7½	37	15	27½	9⅞	12¼	11⅝	11⅞	..
Replogle Steel	..	..	..	..	93⅛	7¼	15⅞	14	14	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	63⅝	56¼	57½	..
Do. Pfd.	111⅛	64½	112⅝	72	106¾	74	94½	92¾	93	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	57⅜	53¼	53¾	7.33
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	94⅞	88⅜	91	..
Schulte Retail Stores	..	..	..	..	134⅞	88	137⅝	129¾	134⅛	§8
Sears, Roebuck & Co.	124¾	101	233	120	243	54¼	241⅞	213½	221½	6
Shell Trans. & Trading	..	..	..	..	90¼	29⅛	48⅝	45⅞	45⅞	a.96⅛
Shell Union Oil	..	..	..	..	28⅜	12⅛	28⅛	25⅝	26	1.40
Simmons Company	..	..	..	..	54⅝	22	54½	53	53⅝	2¼
Simms Petroleum	..	..	..	..	28½	6½	28⅝	23¾	24⅞	1
Sinclair Consol. Oil	..	..	67⅛	25¼	64¼	15	24	20½	21⅛	..
Skelly Oil	..	..	..	..	35	8⅝	32½	29½	30¼	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19½	143½	32⅛	136½	120	122	6
Standard Oil of Calif.	..	..	..	..	*135	47⅛	62¼	55⅛	57⅛	2
Standard Oil N. J.	*448	*322	*800	*355	*212	30⅞	46⅜	43½	43¾	1
Do. Pfd.	..	..	..	..	119⅛	100⅛	117⅜	116¾	117	7
Stewart-Warner Speed.	..	..	*100½	*43	*181	21	92⅞	83½	85⅝	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	77¼	73	74	6
Studebaker Company	49½	15¾	195	20	*151	30½	59⅞	55¼	56⅝	6
Do. Pfd.	98⅛	64½	119⅛	70	125	76	†120	†120	†120	..
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	14¾	13⅜	13⅞	1
Texas Co.	144	74½	243	112	57¾	29	54⅞	50¾	51¼	3
Texas Gulf Sulphur	..	..	..	..	121⅞	32⅝	124⅝	119½	123	‡8
Tex. & Pac. Coal & Oil	..	..	..	..	*275	30¼	19½	16¼	17⅜	..
Tide Water Oil	..	..	225	165	195	5½	36¾	34¼	36¼	1
Timken Roller Bearing	..	..	..	..	59⅝	28⅛	56⅜	52½	53⅞	‡3
Tobacco Products	145	100	82⅜	25	115	45	104¼	96½	98⅜	6
Do. Class A	..	..	..	..	110⅜	76⅛	112	107	†109½	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	4⅜	4	4	..
Union Gulf of Calif.	..	..	..	..	43⅜	33	41⅞	37¼	37⅝	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	97⅞	84⅛	86⅞	3⅛
United Drug	..	..	90⅞	64	175⅛	46¼	164¾	150¾	156	7
Do. 1st Pfd.	..	..	54	46	58⅛	36⅝	57¼	56	†56⅛	3½
United Fruit	208½	126½	175	105	246	95¾	243½	236	241	10
United Ry. Investment	49	16	27½	4¼	41	6	†19	†19	†19	..
Do. Pfd.	77	30	49¼	10½	83¼	14	81½	75	†73	..
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10½	210¼	188	194⅞	..
Do. Pfd.	84	40	67½	30	113	38	102	100⅜	101½	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35¼	75½	63⅛	66¼	..
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17¼	71⅞	65	66	..
U. S. Rubber	59½	27	80½	44	143¾	22½	86⅞	78⅛	86¾	..
Do. 1st Pfd.	123½	98	115¼	91	119½	66½	109	107	107¾	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	20	78¼	18⅜	49⅞	45¾	46	3½
U. S. Steel	94⅞	41¼	136⅝	38	139¼	70¼	138½	131⅞	134⅜	7
Do. Pfd.	131	102½	123	102	126⅝	104	126⅞	125½	126½	7
Utah Copper	67½	38	130	48½	111	41⅛	98	98	†91	5
Vanadium Corp.	..	..	..	..	97	19⅛	32½	30¾	30¾	2
Western Union	86¼	56	105½	53⅜	144⅞	76	142	134¾	139	8
Westinghouse Air Brake	141	132½	143	95	144	76	126¾	116½	118	‡6
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	75¼	72¼	73	4
White Eagle Oil	..	..	..	..	34	20	28⅝	26⅜	26⅜	2
White Motors	..	..	60	30	104½	29¼	86¾	78¾	81½	4
Willys-Overland	*75	*50	*325	15	40¼	4½	34	28⅛	29⅛	..
Do. Pfd.	..	..	100	69	123⅞	23	94⅞	91⅛	91⅛	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	4⅝	4⅝	†4¾	..
Woolworth (F. W.) Co.	*177⅞	*76⅛	*151	*81½	*345	72½	222	197	200¾	‡4
Worthington Pump	..	..	60	23½	117	19⅞	44⅜	39¼	40½	..
Do. Pfd. A	..	..	100	85⅞	98½	65	78½	77	†76¼	7
Do. Pfd. B	..	..	78⅜	50	81	53⅛	†66	†66	†61	..
Youngstown Sh. & Tube	..	..	..	..	92½	59¾	89⅝	83⅛	84½	4

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock. ¶ Partly stock. a Payable this year.

Securities and Commodities

Analyzed, Rated and Mentioned in this Issue.

Bonds, Convertible

Public Utilities

Commodities

Petroleum

Industrials

Railroads

Mining

Joint Stock Land Banks

Pipe Line Companies

ANSWERS TO INQUIRIES

(*Continued from page* 640)

provement over the $4.54 of the preceding year. The outlook for the steel industry is good, and as one of the major units Crucible should benefit to some extent, but viewing the record of the company to date we would say that better opportunities lie elsewhere. A switch to Youngstown is suggested. The company earned $9.79 a share on the common in the first nine months of 1925 and had a heavy volume of unfilled orders on its books at the beginning of the fourth quarter.

SUPERIOR OIL

Is the recent steadying of the prices of Superior Oil due to anything more than technical market consideration and sympathy with the stronger tone of the stock of the important oil companies?—L. V. E., St. Louis, Mo.

In view of the fact that Superior Oil has an estimated daily production of around 7,000 barrels, it is difficult to understand why this company cannot develop something in the way of a substantial and lasting earning power. Its record since 1921 has been one of successive deficits. Far from showing improvement in 1925 the company did very poorly, a deficit of $411,950 in nine months comparing with a loss of $114,154 in the corresponding period of the preceding year. Much stress has been laid on the probability of Superior Oil being victorious in its suit against Atlantic Refining, involving 3.5 millions, but a decision in the matter appears remote and in the meantime Superior continues on its unprofitable way. It is obvious, of course, that this state of affairs cannot be indefinitely prolonged. In a strong oil market the stock is likely to advance somewhat, but hardly on its merits. We see little advantage in retaining. It is difficult to suggest a satisfactory medium among low priced issues for the reemployment of your funds, but you might do worse than consider Consolidated Distributors. This stock is highly speculative at best but it compares favorably with Superior Oil. The company earned 78 cents a share in nine months of 1925, with the busiest quarter as yet to be heard from.

OTIS ELEVATOR

About five years ago I bought ten shares of Otis Elevator common stock and of course I have a very nice profit if I were to sell out, as the stock dividends increased my holdings to 20 shares. But I bought this stock as an investment, and if you think it advisable I will buy ten shares more, which will make my total holdings 30 shares?—N. V. E., Kansas City, Mo.

With the peak of building operations apparently near to being reached, we see little incentive to make an additional purchase of Otis Elevator at this time. The company begins its 1925 season in a rather auspicious manner, with something like 40 millions of business on its books but a slackening in

building activities cannot fail to be reflected in later operations. The pertinent question is: Can Otis equal or surpass its 1925 showing, when probably $12.50 a share was earned on the common? We confess we do not think so, or at least not in the ensuing year. As an investment the issue is sound, and over a period of years is not unlikely to sell higher, but on the basis of current earnings and visible prospects the stock does not appear attractive. A transfer to Famous Players should prove satisfactory from an income and profit standpoint. This company's finances are in excellent shape and it has a long record of earnings far in excess of requirements. The stock appears conspicuously undervalued.

ALLIED CHEMICAL

I have a very nice profit in Allied Chemical common which I bought at 56 about five years ago. It pays me about 8 per cent on my original investment besides the market profit I could have. I want to take my profit but my broker thinks I should hold on for $150 a share. What would you say?—J. W. S., Boston, Mass.

An interesting situation exists in regard to Allied Chemical. Certainly, this is a meritorious enterprise and its securities rank with the more attractive in their class. As one of our experts pointed out in a recent edition of the magazine many shareholders are of the opinion that henceforth less attention will be paid to the creating of reserve funds, and more to the distribution of a larger share of earnings in the form of higher dividends on the common stock. Allied Chemical is well situated to embark upon such a policy. Conservative estimates place 1925 earnings around $9 a share on the common, against $7.25 for the previous year. The financial condition of the company is remarkably sound, working capital aggregating about 100 millions, of which cash and government securities total 64 millions. It is not unlikely that the preferred stock will soon be called in. A sizable stock dividend is not beyond the realms of possibility. From an intrinsic value standpoint, as well as that of ultimate possibilities, the stock appears in an attractive light. However, you acquired your shares at a very low figure, and inasmuch as the stock has recently enjoyed a substantial bulge it would appear good policy to accept your profit with a view to replacing your holdings to good advantage during reactionary periods.

PITTSBURGH COAL

How is the condition of the anthracite coal strike likely to affect Pittsburgh Coal? Do you think I should hold it in view of the fact that I bought it at 53 simply because a friend had what he thought such a good tip on the stock?—M. C. W., Brooklyn, N. Y.

Pittsburgh Coal is primarily a producer of bituminous coal and therefore it is experiencing no decided adverse effect from the present mine trouble. If anything it stands to benefit from a possible increased demand for soft coal for domestic purposes to take the place of the anthracite so difficult to obtain. However, at best, the securities of this

company do not appear in an attractive light. At periodic intervals the common stocks is dragged forth from obscurity and its high asset value (in excess of $300 a share) is heralded from the house-tops. Little mention is made of the consistently poor earnings. Asset value does not go far toward paying dividends, and until this company is successful in developing a substantial and lasting earning power the stock must be relegated to the ranks of indifferent holdings. There is little incentive to retain. As a coal stock speculation we prefer Pittsburgh Terminal Coal. The company is doing well at the present time and any substantial increase in production and lowering of operating costs should result in vastly increased profits.

RADIO CORP. OF AMERICA

Last year I bought some Radio Corporation stock at 55. It went to 75 but I held on. What do you think the chances are of making a profit on this purchase?—G. B. S., Newark, N. J.

Radio Corporation common, heralded as an outstanding opportunity in the early part of 1925, has proved very disappointing holdings indeed. While the general market has been booming, and individual issues have been skyrocketed to dizzy heights, Radio common has traveled in a narrow rut. The explanation for this appears to lie in the unsatisfactory showing of the company for 1925. In the absence of official statements we hesitate to hazard an estimate of earnings, but it appears doubtful if the company much more than covered its preferred requirements. The late year proved hard sledding for many radio concerns. Keen competition, high operating costs and the tendency of apparatus to turn obsolete have borne due reflection in declining earnings. While Radio Corporation is perhaps the best suited of all to weather the storm, and might in the course of time be expected to stage a come-back, the immediate going is likely to be hard and stony. Certainly, considerable patience will be necessary before the sanguine hopes of well-wishers are fully realized. A switch to American Steel Foundries would render your funds productive and place you in an advantageous profit position.

NATIONAL LEAD

I have heard that National Lead is planning a stock dividend. Is there any basis for the report? What is the company to do? Do you think the stock will sell much higher? —K. V. F., Washington, D. C.

National Lead is a sound investment issue, and the conservative dividend policy adhered to by the management is continually increasing the equity of shareholders, but viewed from a profit standpoint the common stock does not appear in the most attractive light. 1925 earnings of the company are estimated at about the same as those of the preceding year when $13.31 a share was reported. At best, the profits of the company will hardly exceed the $15 level, and certainly on this basis the stock does not appear undervalued. From time to time rumors have been

current dealing with the possibility of a stock dividend, probably in the amount of 20%, but these have been officially denied. In the course of time something along these lines might materialize but indications are that for a while at least stockholders cannot look for a change in capital structure, or for an increase in the dividend rate. In this instance, a switch to Famous Players appears well advised. This stock sells about fifty points lower, pays the same dividend, and reports much larger earnings per share.

RAILWAY STEEL SPRING

What is the outlook for Railway Steel Spring? I am a small stockholder and I am wondering how I will benefit from the change in capitalization. Would you advise me to sell my old stock or continue a stockholder? —P. S. H., Buffalo, N. Y.

The immediate benefit you will derive from the split-up in Railway Steel Spring shares will be an increase in your dividend return. Where previously you would have received say $80 per annum on holdings of ten shares, you will now receive $120, or an increase of 50%. Assuming you purchased your stock at the time it was suggested by THE MAGAZINE OF WALL STREET you now receive a very handsome return on the funds employed. This is very satisfactory from an investment standpoint. However, viewed from another angle, that of possibility of market appreciation, we will say that something appears to be lacking. The financial condition of the company is good, but unless earnings show an immediate and decided upward tendency it is difficult to perceive where the proposed $4 dividend on the new stock can be maintained without drawing heavily upon reserve. Estimates net of $10 a share on the old stock amounts to only $3.33 on the new. The only conclusion to be drawn is that the stock is selling at a level to discount future prospects. Better business is undoubtedly ahead for railway equipment concerns but we believe American Car & Foundry to constitute a preferable holding. The financial position of this concern is well nigh impregnable, and it has embarked upon an aggressive expansion program which should be productive of good results.

REPUBLIC IRON & STEEL

I wish you would be good enough to tell me what you think of Republic Iron & Steel common? I know it was a highly speculative purchase for me. I paid 78. Would you advise me to average down the cost or simply wait for a chance to get out even?—J. A. B., New York.

Improved trade conditions in the steel industry, together with a thorough reorganization of its plants, have been of material benefit to Republic Iron & Steel from an earnings standpoint. Where $1.50 a share was earned in the first nine months of 1924, Republic was able to show $3.95 in the same period of the late year. The volume of unfilled orders on the company's books at the beginning of the fourth quarter indicated a still further gain in earnings, with the result that Republic might be expected to show something like $5.50

a share as the result of 1925 operations. This is a very good showing, but it is well to bear in mind that Republic has had a very erratic earnings record, and if past performances carry any weight its prosperity may not continue indefinitely. The stock is not without merit as a long pull speculation, but unless you are willing to employ patiene and assume a measure of risk we would suggest transferring to an issue with clearer defined prospects. We believe Marland Oil would constitute a more satisfactory holding. The prosperity enjoyed by this company does not seem fully discounted in the present market valuation of the shares.

HOODOOING JOINT STOCK DIVIDENDS

(*Continued from page* 612)

foreclosure sales. Since mortgages are amortized, or in other words, since principal as well as interest is paid in annual installments, at from five to forty years, it follows that foreclosures are not likely to arise through the farmer having suddenly to meet the principal.

Conservative appraisals, made both by the bank and its supervising agency; amortization, moderate payments by the farmer; high-value land; conservative loans on high value land—all make the foreclosure question secondary in importance. Other expenses such as obtaining new business, administrative routine, etc., are almost fixed in amount and can be predicted. Where then can there possibly be a weakness in Joint Stock Land Bank operations?

The careful reader may have noted in the previous discussion, that while we have been speaking about the *amount* of foreclosures as unimportant, and as being ultimately liquidated without loss, we have not referred to the *time* it takes to liquidate these foreclosures profitably. If the amount is small in reference to total loans, the bank's solvency can never be questioned. This is the case with all the Joint Stock Land Banks. But if liquidation of this small proportion of judgments and foreclosures is slow, than available funds for dividends may sometimes be imperiled. When such is the case dividends may have to be deferred, especially under the new ruling of the Federal Farm Loan Board. When this situation is combined with loans of only nine times the amount of the capital paid-in, as was the case in Southern Minnesota, the reasons for deferring its dividend become clear. Yet, it is doubtful whether even under such circumstances dividends should not have been paid. This situation deserves careful investor inspection, for if even in the Southern Minnesota case there is nothing to worry about, then it follows that Joint Stock Land Bank shares are in a prime investment position.

It must be remembered that the Con-

troller of the Currency has ruled that when a national bank obtains any real estate by foreclosure, it must carry the same on its books as an asset at its true value, and is, therefore, part of the basis for declarations of dividends. In the case of Joint Stock Land Banks, organized as mortgage companies, the Board has ruled that foreclosure of the only collateral they possess is not to be carried at any value whatever for dividend purposes. Since national banks have been permitted this latitude, and still pay dividends, why may not the same be true of Southern Minnesota?

Southern Minnesota had delinquent accounts on its books, as of December 1, of $280,000 less $20,000 part payments on delinquencies, or altogether $260,000 net. December maturities to be paid to it amounted to $166,000 or $426,000 total to be received. A vigorous new management collected $169,000 in December. Furthermore, $37,000 additional received from deliquent account was absorbed in foreclosure account. Net delinquency is now $220,000. This is a great improvement in one month, and shows what management can do. Real estate is carried at only $55,000, but sheriff's certificates, representing first mortgages, at $712,000. Both are less than $785,000 in reserves, surplus and undivided profits of the bank. But payment of dividend of 2½% would cause an expenditure of $75,000 on the 3 millions of capital stock, which would more than absorb the difference of $23,000 between surplus, reserves and undivided profits on one hand, and real estate and sheriff's certificates on the other.

What will clear up the situation is a profitable employment of full capital of the bank. Had Southern Minnesota outstanding instead of 27 millions in loans, as much as 45 millions, its increased earning power of $180,000 per annum would have made even this situation inconsequential. But instead they are subject to the Board ruling. But as these sheriff's certificates are realized, and loans increased, the position of the bank will prove extraordinarily strong.

It must be remembered, too, that the bank operates in a territiory where borrowers are entitled to take a year in which to repossess foreclosed property. If not for this law, which is confined to few states, the matter would not have had importance. Furthermore, it operates in a region where mushroom state banks have dabbled in second mortgages, and their action has compelled Southern Minnesota to seek judgments.

This combination of two local situations, one legal and the other banking, with two special situations, one with reference to unemployed capital and the other to delinquencies, is a very special affair, and has been duplicated nowhere else. Des Moines and Banker's of Milwaukee, although operating in regions similarly affected, for example, have not suffered drastic curtailment. And 95% of the system has stood up perfectly all this time. The only possible development is the request of the

Federal Farm Loan Board that dividends hereafter be paid semi-annually.

The adoption of this policy, like the dividend restrictions, will ultimately prove a constructive factor. It will further fortify the sound position of joint stock land banks.

At present levels few of these stocks are overpriced and many considerably underpriced. Their safety and investment position are as high as ever and the unfortunate occurrence of last month should be placed in its true position as a passing and not too important phase.

HOW TO ANALYZE YOUR LIFE INSURANCE

(*Continued from page 636*)

flict with existing premium payments.

The most convenient time for meeting premiums is often determined by the manner in which the income is derived. If the income is obtained in great measure through divisible surplus in business, then the period of year when this share of profits takes place is a good time to plan for premium payments on policies. If, however, the insured is on a monthly salary, his insurance may reasonably be planned so that he would have premiums falling due every third month, or perhaps each second month as his insurance estate increases.

How Is Policy Payable?

The manner in which the proceeds of policies are payable is another question which should be seriously reconsidered at this time. In many cases—indeed in *most* cases—where life insurance is carried for family protection in event of the breadwinner's death—it is preferable to arrange that the greater part of the proceeds be left *in the form of income*, for a period of years, or as a life annuity. This arrangement relieves the beneficiary from the necessity of seeking the advice of relatives or friends who are so often inexperienced in the investment of funds, and advise accordingly. Moreover, policy proceeds left in the form of installments guarantee a regular income at stated intervals which is not affected by fluctuating money values or depressed markets.

Care should be exercised in designating the beneficiary. If payable to a *named* beneficiary, as wife, mother or other relative, life insurance proceeds in a large amount ($40,000 at present—far in excess of this sum if favorable legislation is finally enacted) are free from Federal or State inheritance taxation. If, however, the policies are payable simply to "Estate" or otherwise, the proceeds must pass through the estate; there is ensuing delay of months, sometimes years, in administration; moreover an inheritance tax in conformity with existing laws has to be paid on insurance proceeds which are not payable to a named beneficiary.

RAILWAY EQUIPMENT CO.'S

(Continued from page 629)

4.2 millions at the end of 1924 against 2.4 millions inventories and 1.3 millions total current liabilities, it would seem the action of the directors in cutting the dividend in two was conservative.

Unless New York Air Brake's trade position is much less favorable than formerly, and this is to be doubted, the time is not too far off when the new $2 rate on the common will be increased. The stock at around 40 looks low enough to buy as a long pull speculation. The Class A stock, not entirely without investment qualities, at 56 offers a yield of 7.1%. Eventually the participating feature should be of considerable value to holders.

THE SYMINGTON COMPANY The Symington Company makes journal boxes, draft gear attachments and miscellaneous equipment sundries, and owns about 270,000 of the 300,000 outstanding common shares of the Gould Coupler Company (below). It has outstanding 200,000 shares of $2 cumulative class A stock and 300,000 shares of common. On the basis of earning power thus far developed, capitalization must be regarded as liberal, and the class A stock as speculative. In the first nine months of 1925, net earnings were 40 cents a share on the common after class A dividends, and for the full year the class A dividend probably was just about earned. The latest balance sheet (November 1, 1924,) is more than a year old and shows $415,325 cash against $861,709 inventories and $561,307 current liabilities.

There is little in the company, on the basis of the known facts, on which to recommend that either class of stock be purchased. The class A, however, yields about 10%, and in a good year the dividend might be earned two or three times over. In such a year the class A might sell up over 25. The Gould Coupler investment, because of Gould's top-heavy capital structure, probably will not contribute much to Symington's treasury in the near future.

THE GOULD COUPLER COMPANY Gould Coupler makes couplers, side frames and various equipment accessories. It has $4,000,000 of 6% mortgage bonds outstanding ahead of the 175,000 shares $2 participating stock, the only issue in which there is any active stock market interest. Symington Company owns most of the common. Even to a greater extent than Symington it appears to be generously capitalized. In the first nine months net earnings were $1.97 a share on the class A stock, and for the full year net may not be much larger. On June 30, 1925, cash was $579,255 against $1,-

143,000 inventories and $988,331 current liabilities.

The class A dividend is rather poorly protected and at around 20 the stock looks high enough. The participating feature probably will be of little value to holders in the near future.

WESTINGHOUSE AIR BRAKE Westinghouse Air Brake has an enviable record. In addition to substantial stock dividends from time to time it has paid regular cash dividends without a single interruption for 53 years. Cash at the end of 1924 was 15.6 millions against 10.4 millions inventories and 5.3 millions current liabilities. Net profits in 1925 probably were better than $8 a share compared with $7.71 a share in 1924 and $14.12 a share in 1923. No bonds or preferred stock precede the 787,178 shares of capital stock of $50 par value which now pay $6 per annum in regular dividends and extras.

The company just now is in an excellent position as to forward business. One of its subsidiaries, the Union Switch & Signal Company, for the next few years quite possibly may earn the regular dividend on the parent company's stock from sale and installation of automatic control devices on probably about half of the railroads on which the Interstate Commerce Commission has ordered such devices installed.

The stock at around 118 is not overvalued in view of the company's record, trade position, financial status, probable dividend payments for the next four years, and generally favorable outlook.

GENERAL RAILWAY SIGNAL General Railway Signal is the other company which stands to gain most from the I. C. C. train control order. Its business, however, is not as stable, as well established, or as well diversified as that of Westinghouse, nor is its patent position as well supported. Moreover, the stock has had a sensational advance during the past year and seems to be pretty well exploited marketwise.

Earnings in 1925 probably were about $5 a share on the 325,000 shares of capital stock after dividends on the 25,906 shares of $6 cumulative preferred comparing with $3.33 a share on the basis of the present par value stock in 1924. There is little probability of any early further increase in the dividend rate which is now $4 per annum. At the end of June, 1925, cash holdings were but $353,815 against $2,728,507 inventories, $1,167,500 notes payable or bank loans, and $1,575,809 current liabilities.

The stock is not a conservative speculation and at above 80 seems too high. At 80 the old stock, which sold as low as 144 last June, is selling at 400, each share of the old stock being equal to five shares of the present stock. The small floating supply of General Railway Signal makes possible violent fluctuations, especially when an active effort is made to influence prices.

Keep Posted

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standard. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

FOR INCOME BUILDERS

This booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent, independent income may be built through the systematic investing of small sums set aside from current earnings. Ask for 318.

LET YOUR MONEY EARN 6%

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The well-known firm of investment bankers who bring out this booklet have endeavored in the 1925 edition to present a comprehensive story of the business methods which for 43 years have insured the safety of all their underwritings to the end that no investor has ever suffered a loss or been compelled to wait even a single day for the payment of principal and interest upon his securities. (217)

ODD LOTS

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An extremely interesting illustrated booklet explaining how a stock exchange firm handles out of town business. It shows how orders are treated from the time the letter arrives to the final placing of the certificates purchased. (278)

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Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy (348).

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The conservative plan explained in this simply-written booklet, if followed, will surely lead you to wealth. Ask for 351.

HOW TO JUDGE SOUTHERN MORTGAGE BONDS

This free booklet contains the net of this old-established Company's experience in the First Mortgage Investment Field in the South. Ask for (302).

Bank and Insurance Stocks

Quotations as of Recent Date

National Banks:	Bid	Asked
American Ex.-Pacific (16.50)	457	465
Chase (20A)	583	590
Chatham & Phenix (16)	365	375
Chemical (24)	705	725
City (20A)	603	610
Commerce (16)	365	375
First (N. Y.) (100A)	2800	2900
Hanover (24)	1090	1110
Mechanics & Metals (20)	440	450
Park (24)	535	545
Public (16)	720	730
Seaboard (16)	630	660
Trust Companies:		
Bankers (20)	625	635
Bank of N. Y. & Trust Co. (22)	630	645
Brooklyn (30)	875	890
Central Union (33)	890	905
Empire (16)	378	388
Equitable (12)	290	298
Farmers' L. & T. (16)	555	565
Guaranty (12)	373	379
Irving-Columbia (14)	335	342
Manufacturers (18)	535	545
New York (20)	550	560
United States (60)	1850	1900
State Banks (New York):		
America (12)	400	...
Corn Exchange (20)	595	610
Manhattan Co. (8C)	236	242
State (16)	615	630
United States (10)	315	325
Insurance Companies:		
Aetna Fire (24)	640	645
Aetna Life (12)	1340	1360
Carolina (1)	35	37
Continental (6)	140	144
Fidelity-Phenix (6)	193	197
Glens Falls (1.60)	38	39
Globe & Rutgers (28)	1665	1690
Great American (16)	297	301
Hanover (5)	190	193
Hartford Fire (20)	650	660
Home (18)	357	362
Milwaukee Mech. (2.20)	35	38
National Fire (20)	785	795
Niagara (10)	249	252
North River (4)	114	...
Stuyvesant (6)	200	210
Travelers (20D)	1220	1240
United States (4.80)	155	...
Westchester (2.50)	47	49
Casualty and Indemnity Companies:		
American Surety (8)	173	180
National Surety (9)	221	225
U. S. Casualty (10)	385	410
U. S. Fid. & Guar. (9)	215	220
Joint Stock Land Banks:		
Bankers of Milwaukee (4E)	127	135
Chicago (10)	150	170
Dallas (10)	150	170
Denver (8)	130	140
Des Moines (4E)	130	140
First Carolina (8)	125	135
Kansas City (10)	150	165
Lincoln (9)	140	155
St. Louis (9)	160	165
Southern Minnesota	...	145
Virginian (.50B)	8¼	9

(A) Includes dividends from Securities Company. (B) Par $5. (C) Par $50. (D) Ex-rights. (E) Annual rate not definite. Based on Jan. 1st payment.

THE ushering in of the new year brought with it reports of earnings and present condition of New York banks. As a result the market took on the character of a revaluation and the changes in quotations reflect market opinion as to intrinsic merits of the bank stocks as demonstrated in these reports. It was at once seen that Empire Trust was selling too low and it was marked up 40 points. It still has some way to go before it sells in line. Another stock immediately appreciated was that of Public National. It was bid up 50 points on the basis of its report. In the case of Bank of America it is rather the small volume of offerings that has occasioned a rise of 70 points in the bid price.

In the insurance stocks a feature has been the leadership of Fidelity-Phenix and Continental, both members of the "America Fore" group. Fidelity-Phenix made tremendous gains in market value of security holdings this year, and these exceptional gains, featured in the press, caused spirited bidding up of the shares. A second, but possibly more important development was the purchase of 40% of the automobile liability business from the Automobile Insurance Co. of Hartford, by both Continental and Fidelity-Phenix. Each of these companies has thus added 7 millions to its unearned premium account, and has consequently greatly increased its investing power. Both Fidelity-Phenix and Continental have been extremely aggressive in investment policy, and have departed from older routine commitments. Their enhanced earning power is fully appreciated in this market.

Although Home remains the largest stock fire insurance company in the country, as well as the leader of an important group, comprising such well known companies as Carolina and City of New York, among others, its recent market action has been due to disappointing reports. The stock registered a loss of 17 points. Surplus gains were only one million, but the outstanding feature was that no gains whatever

were recorded in unearned premium account. Most of this lack of advance may be due to the recent death of E. G. Snow, the genius who built Home to its present greatness, and the almost immediate death thereafter of the second great executive of the company. With its tremendous resources and organization, there should be little question, however, that Home will again come into its own as soon as its new management has made its influence felt. Home is attractive at present level of about 360.

Undoubtedly the most important insurance development of the fortnight has been an increase of the capitalization of Travelers from 12 millions to 15 millions. Travelers accordingly has advanced from about 1425 to 1240 plus 290 for the new rights. The corrected basis is, therefore, about 1530. There seems little doubt that a split up of the stock should soon materialize.

Important Dividend Announcements

FEW important changes took place in the dividend announcements during the past fortnight. A number of "extras" were declared. Among the more important, Orpheum Circuit raised its annual dividend rate from $1.80 to $2. The outstanding feature was the declaration of a $10 disbursement by the Federal Mining & Smelting Co. on its common shares; this company also paid off the accruals on the preferred stock, which amounted to $19.25 per share. Hudson Motors again disappointed its stockholders by declaring only the regular quarterly dividend of 75 cents.

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$5	American Can cm...	$1.25	Q	1-30	2-15
—	American Can cm...	$3.00	EXT	1-30	2-15
$2	Am. Chain Cl. "A".	$0.50	Q	3-20	4-1
7%	Am. Elec. Power pf.	1¾%	Q	2-5	2-15
$1	Am. La France cm..	$0.25	Q	2-1	2-15
$7	Am. Smlt. & Ref. pf.	$1.75	Q	2-5	3-1
5%	Am. Tel. & Cable...	1¼%	Q	2-27	3-1
$1.20	Am. W.W. & El. cm.	$0.30	Q	2-1	2-15
STK	Am. W.W. & El. cm.	2½%	EXT	2-1	2-15
$7	Am. W.W. & El. pf.	$1.75	Q	2-1	2-15
$6	Asso. Dry Gds. 1st pf.	$1.50	Q	2-13	3-1
$7	Asso. Dry Gds. 2d pf.	$1.75	Q	2-13	3-1
$7	Atch. Top & S. Fe cm.	$1.75	Q	1-29	3-1
$4	Borden Co. cm.......	$1.00	Q	2-16	3-1
—	Borden Co. cm.......	$0.25	EXT	2-16	3-1
$6	B'klyn-Man. pf.	$1.50	Q	4-1	4-15
$10	Burns Bros. Cl. "A".	$2.50	Q	2-1	2-15
$2	Burns Bros. Cl. "B".	$0.50	Q	2-1	2-15
$6	California Packing ..	$1.50	Q	2-22	3-15
$1	Centrifugal Pipe ...	$0.25	Q	2-6	2-15
$7	Cent. Ribb. Mills pf.	$1.75	Q	2-20	3-1
$4	Chic. Yell. Cab....	$0.33⅓	M	2-20	3-1
7%	Cong.-Nairn pf.	1¾%	Q	2-15	3-1
—	Continental Can	$1.00	EXT	2-5	2-15
$5	Continental Can	$1.25	Q	2-5	2-15
$2.40	Fair (The) cm......	$0.20	M	2-18	3-1
$7	Federal M. & S. pf..	$1.75	Q	2-25	3-15
—	Fed. M. & S. cm..	$10.00	—	2-25	3-16
—	F. M. & S. pf. ac...	$6.00	—	2-6	2-16
—	F. M & S. pf. ac...	$7.25	—	2-25	3-2
$3	Gillette Safety Rz..	$0.75	Q	2-1	3-1
—	Gillette Safety Rz...	$0.25	EXT	2-1	3-1
$3	Hudson Motor	$0.75	Q	3-15	4-1
$5	Hudson & Man. pf..	$2.50	SA	2-1	2-15
$2	Indian Motocycle....	$0.50	Q	2-15	3-1
$6	Int'l Shoe cm.......	$1.50	Q	3-15	4-1
$1	Intertype Corp.	$0.25	Q	2-1	2-15
—	Intertype Corp.	$0.25	EXT	2-1	2-15
$1	Miami Copper	$0.25	Q	2-1	2-15
$7	Nat'l Biscuit pf.....	$1.75	Q	2-11	2-27
$3	Oppenheim-Collins ..	$0.75	Q	1-30	2-15
$2	Orpheum Circ. cm..	$0.16⅔	M	2-20	3-1
$8	Pullman Co.	$2.00	Q	1-30	2-15
$2	Skelly Oil	$0.50	Q	2-15	3-15
$7	Tobacco Prod. "A".	$1.75	Q	2-1	2-15
$3	Wrigley, Wm., Jr...	$0.25	M	2-20	3-2

New York Curb Market

IMPORTANT ISSUES

Quotations as of Recent Date*

Name and Dividend	1926 Price Range High	Low	Recent Price
Amer. Gas & Elect. (1)	99⅜	80	96
Amer. Super Power A (1.5)	37⅞	33¼	35½
Amer. Super Power B (1.5)	39	34½	36¾
Centrif. Pipe (1)	26½	23	23⅞
Cities Service new (1½)	38½	37⅝	37¾
Cities Service Pfd. (6)	84	83¾	84
Cleveland Motors	..	..	..
Continental Baking B	30½	23¼	25
Continental Baking Pfd. (8)	99½	97	97
Curtiss Aero	23⅛	20⅝	22¾
Curtiss Aero Pfd.	..	..	..
Devoe & Reynolds B	..	..	..
Durant Motors	13¾	11⅞	12
Elect. Bond & Share (1)	86	78	82
Electric Investors	74½	66	71
Electric Refrigerator	90½	84⅝	86
Ford Motor of Canada (10)	625	620	623
General Baking A (5)	79½	7¾	74½
General Baking B	17⅞	14	14⅜
General Ice Cream (2)	56⅝	52⅛	53¾
Gillette Safety Razor (3)	113¾	106½	107½
Glen Alden Coal (7)	166	138½	141¾
Goodyear T. & R.	38¾	33⅛	35¼
Gulf Oil (1½)	93¾	86½	89½
Happiness Candy Str. (50c)	8¼	7¾	7¾
Horn & Hardart	62⅞	57½	57⅛
Hecla Mining (1)	18	17¾	18
Intern. Utilities	9⅞	7¼	8⅛
Kelvinator (2)	89¾	84½	85
Lago Oil & Transp.	25	21	22½
Lago Petroleum	12¾	10½	11⅛
Land Co. of Florida	47¾	40	43¾
Lion Oil & Ref. (2)	25½	24	24½
Metro Chain Stores	50½	45¼	46
Miller Rubber new (2)	40	36	37
Mountain Producers (2)	26	23¾	24⅛
Nat'l Power & Light new	38⅜	34⅝	37
New Mex. & Ariz. Land	17	14	14⅛
Nipissing (60c)	7½	6¼	6¾
Nizer Corp. B (1)	89⅞	83¾	84
Northern Ohio Power	26⅛	15⅞	22½
Reo Motor	25⅜	23¾	23⅛
Rickenbacker Motor	9½	7½	8
Salt Creek Producers	36	32⅜	32¼
Servel Corp. A	30½	29	29
Southeast Power & Lt. new	46¾	40¾	44
Southern Dairies A (4)	55	48	50¼
Southern Dairies B	34¾	26¾	34
Stutz Motors	37¾	29	32
Trans Lux	14	12	12½
Tubize Artif. Silk	240	200½	220½
Tobacco Products Export	..	..	..
Union Carbide (5)	81	77¼	80
Victor Talking Machine	97⅜	90½	90¾
STANDARD OIL STOCKS			
Continental Oil (1)	25⅞	23⅜	23¾
Humble Oil (1.20)	99⅝	87¾	93¾
Intern. Petroleum (50c)	35¼	32	32¾
Ohio Oil (2)	66⅝	63⅛	63¾
Prairie Oil & Gas	58¾	55	55⅛
S. O. of Indiana (2½)	70½	65¼	66⅛
S. O. of New York (1.40)	47¼	35¾	36⅛
Vacuum Oil (2)	109⅜	103½	104¾

* Dividends quoted dollars per share, Jan. 20.

CURB stocks have been irregular, with noticeable liquidation during some of the recent sessions followed by bursts of strength. Renewed interest was shown in the public utility group. *American Gas & Electric* advanced over 15 points, marking up a new high level at around 99; *Electric Investors* was active and ran up to a high of 74 on this move, but sold off later on profit taking. The oil shares were sold by holders who decided that some advances had gone far enough. *Gulf Oil,* which has been advancing steadily, sold down to 86 from a high point of slightly under 100 near the close of the year but showed considerable strength in the recovery. *Standard Oil of New York* was another oil in which profit taking drove the price down some 10 points from its recent high.

Servel Corporation A Stock

With the B stock of the *Servel Corporation,* which is traded in the unlisted market, moving slowly but consistently into higher ground, it becomes more apparent that the A stock listed on the New York Curb may be undervalued from the speculative viewpoint at its present price of slightly under 30. The Servel Corporation is one of the successful electrical refrigeration companies and has worked into a very much stronger position during the past year than it formerly occupied. In reflection of some of these constructive developments, the B stock has advanced to its current bid price of around 65; the A stock, which also participates in the earnings of the company, has not advanced in the same proportion.

Several months ago, the Servel Corporation acquired the manufacturing plants of the Hercules Manufacturing Co. from Sears, Roebuck & Co., this company taking a stock interest in Servel in exchange. This acquisition made it possible for Servel to obtain its production on a more efficient basis. The company has also made encouraging headway in the distribution of its electrical refrigeration unit. Sales have been running ahead of production capacity and are now sold by a number of important electric light and power companies who also undertake to service the units after they have been sold. The capital structure of Servel is represented in two classes of stock, namely, Class A and Class B. It has no funded debt. After a priority dividend of 75 cents a share on the A and a dividend of equal amount on the B, both classes share in the remaining earnings on an equal basis. However, there is approximately twice as much A outstanding as B and consequently, the dividend in terms of dollars per share on the A stock would be only half of the distribution per share on the B.

It is semi-officially reported that Servel entered the new year with approximately 6 million dollars' worth of unfilled orders on its books and was selling its 1926 production on forward orders during the last three months. In addition to the potential earning power on the above basis, it is rumored that the Servel Corporation has obtained the American patents for a new gas refrigeration unit which will be

sold here at about one-fourth the price of the cheapest electrical unit. Official confirmation of this persistent rumor is lacking, but there is reason to expect an announcement of this nature in the not distant future.

Servel is worth its present price on the electrical refrigeration business alone and acquisition of gas process should increase the value.

WHY FIRE INSURANCE COMPANIES ARE SUCCESSFUL INVESTORS

(*Continued from page* 631)

above all of the sensational markets that have dominated the scene since the re-election of Mr. Coolidge have given altogether too favorable a "twist" to the sagacity of insurance companies in the investment business. They are of course bound to profit by bull markets nor can they stop great market declines. But it must be remembered that even in a bull market many securities go lower, many stand still, and others advance little. And even in bear markets, many gain, some stand still and others sell off but slightly. To select those that will go down least in bear markets one may have to forego some sensational profits in bull markets. This is not always strictly true. The comparatively small losses by insurance companies in bear markets compared with their gains in bull markets indicates that the ability to resist depression factors has governed their policy and tempered their spec-vestments, without diminishing profits in bull markets.

Conclusion

The private investor has much to learn from the great insurance companies. He has to remember that study and analysis are the twin foundations of their success. They have replaced guesswork by science, even in trading operations. They trust to no tips. Year in and year out they earn a handsome return based on scientific study. They have probably made more money as a result of long-term gains in values than any other group.

He learns that for profit and income alike stocks are not inferior to bonds, and if wisely selected are perhaps somewhat better. He learns not to be afraid of industrial bonds. He knows enough to shun foreign issues. He realizes the great importance of buying stocks, such as bank and insurance, and biding his time. And he realizes above all that diversification must not be a catchword to be invoked blindly, but that companies employing a considerable part of the nation's funds have actually used it as a successful investment technique.

Note—Current information on insurance stocks, in Bank and Insurance section, page 666.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

	Bid	Asked
Aeolian Co., pfd. (7)...	78	— 85
Aeolian Weber	28	— 34
Aeolian Weber, pfd. (7)	95	—102
Allied Packers	3	— 4
Sr. Pfd.	5	— 10
Pr. Pfd.	29	— 38
Alpha Port. Cement (6)	120	—122
Aluminum Co. of Am...	60	— 62
Pfd. (6)	98	— 99½
Pfd. Warrants	89	— 92
American Arch (7P)...	129	—131
American Book Co. (7).	140	—145
Amer. Cyanamid (4P)..	153	—158
Pfd. (6)	88	— 92
Amer. Thread, Pfd. (¼)	4	— 4¼
Atlas Port. Cement (4).	52	— 55
Babcock & Wilcox (7)..	145	—148
Barnhart Bros. & Spindler:		
1st Pfd. (7) G.......	105	—107
2nd Pfd. (7) G......	96	— ..
Bliss (E. W.) Co. (1)..	29	— 30
1st Pfd. (4)	55	— 60
Cl. B. Pfd. (0.60)....	9¾	— 10¾
Bohack (H. C.) Co. (10)	210	—215
1st Pfd. (7)	101	—103
Borden Co. (4P).......	100	—102
Bucyrus Co. (5P).....	183	—190
Pfd. (7)	102	—106
Celluloid Co.	20	— 23
Pfd. (8)	65	— 70
Congoleum Co. pfd. (7)	97	— 99
Continental G. & El. (4.4)	148	—150
Part pfd. (8)	96	— 97
Prior pfd. (7)	95	— 97
Crocker Wheeler	14	— ..
Pfd.	45	— ..
Devoe & Reynolds:		
2nd Pfd. (7)	99	— ..
Eisenlohr (Otto) Bros..	18½	— 19
Pfd. (7)	94	— 98
Franklin Rwy. Sup. (4)	89	— 93
Hale & Kilburn pfd. (½)	14	— 18
Hercules Powder (6P)..	141	—145
Pfd. (7)	112	—115
Ide (Geo. P.) & Co., Inc.	4	— 7
Pfd. (8)	54	— 59
International Silver	100	—103
Pfd. (7)	104	—107
Jos. Dixon Crucible (8).	153	—156

	Bid	Asked
Johns-Manville, Inc. (3)	152	—157
Knox Hat	57	— 62
2nd Pfd.	70	— ..
Pr. Pfd. (7)	92	— 98
Lehigh Port. Cement (3)	90	— 93
McCall Corp.	170	—180
New (w. i.)	44½	— 46½
Manhattan Rubber (2.5)	41½	— 43
Metropolitan Chain Sts.		
1st Pfd. (7)	113	—117
2nd Pfd. (7)	112	—116
Nat'l Fuel Gas (6P)...	138	—143
New Jersey Zinc (8P)..	204	—208
Niles-Bement-Pond	19½	— 21
Pfd.	66	— 70
Phelps Dodge Corp'n (4)	120	—124
Pierce, But. & Pierce:		
(New) (2)	25	— 27
Pfd. (8)	100	—104
Poole Eng'g (Md.):		
Class A	5	— 10
Class B	5	— 10
Richmond Radiator (new)	15	— 18
Pfd. (new) (3)......	37	— 40
Royal Bak'g Powder (8)	190	—200
Pfd. (6)	100	—102
Safety Car H. & L. (8P)	123	—126
Savannah Sugar (6)...	137	—140
Pfd. (7)	111½	—115
Servel Corp. B.......	65	— 69
Sheffield Farms pfd. (6)	101	—104
Singer Mfg. Co. (10P)..	380	—385
Singer, Ltd. (¼)......	7½	— 8½
Superheater Co. (6P)..	138	—143
Technicolor, Inc.	8	— 9
Thompson-Starrett (6)..	110	— ..
Pfd. (8)	99	— ..
Wash. Ry. & Elec. (5).	210	— 220
Pfd. (5)	86	— 89
White R'k 2d pfd. (6P)	180	—200
1st Pfd. (7)	100	—104
Woodward Iron	78	— 81
Pfd. (6)	80	— 90

*Dividend rates in dollars per share designated in parentheses.

G—Guaranteed as to principal and dividend by Amer. Type Founders.

P—Plus extras.

THE unlisted market developed considerable irregularity near the close of the past fortnight. Some of the higher-priced issues stood out against the general list, gaining ground while the predominant tendency was toward moderate price recession. Over-the-counter stocks, in other words, appear to be passing through a period of moderate readjustment in which buyers are exercising greater discrimination.

It will be noted that *General Optical preferred* has been eliminated from this department, due to the apparent lack of interest in the issue. *International Silver common* and *preferred* will be recognized as newcomers. Outlook for these securities has improved as a result of a recent adjustment plan and termination of the controversy between stockholders and the company. These securities will be reviewed in detail in our next edition.

WASHINGTON RAILWAY & ELECTRIC CO.

As its title implies, this company is a combination of traction and electric light and power utilities. Through subsidiaries, Washington Railway controls all the street railway lines operating in the District of Columbia and has a practical monopoly of the electric

lighting business in the national capital and vicinity.

Potomac Electric Power Co., all of whose common and preferred stocks are owned by Washington Railway, is the only electric lighting company which is permitted to operate in Washington. Gross and net earnings of this important subsidiary have shown consistent and marked expansion over a long period of years.

Unlike most public utility holding companies, however, Washington Railway takes into its own income account, only that portion of Potomac's earnings which are actually paid over in the form of common and preferred dividends. As a result of this practice, the parent company's true earning power is not very generally appreciated.

By permitting Potomac Electric to retain a large percentage of its net income, Washington Railway has built up a large hidden equity in undistributed earnings of the electric power subsidiary. Thus, in the four years ended December 31, 1924, more than 2.83 million dollars of undivided profits were added to the electric company's profit and loss surplus.

Early last year, a long standing rate controversy was brought to a satisfactory conclusion and 2.90 million dollars of impounded funds released to Potomac. The latter paid out part of these funds to the parent company which resulted in payment of a special $20 a share cash dividend to Washington Railway shareholders. The balance of the impounded monies, equivalent to $24 a share of Washington Railway common, was retained in Potomac Electric's treasury.

The parent company was in strong financial condition at the close of 1924 with current assets of 3.2 million dollars, of which approximately 2.4 millions were cash and Government bonds. Current liabilities totaled but $324,795.

Depreciation charges of both Washington Railway and Potomac Electric appear larger than usual in public utility practice, partly because of peculiar requirements in connection with former financing and rate agreements with the local public service commission. In effect, therefore, excess depreciation charge-offs constitute a further addition to hidden equities.

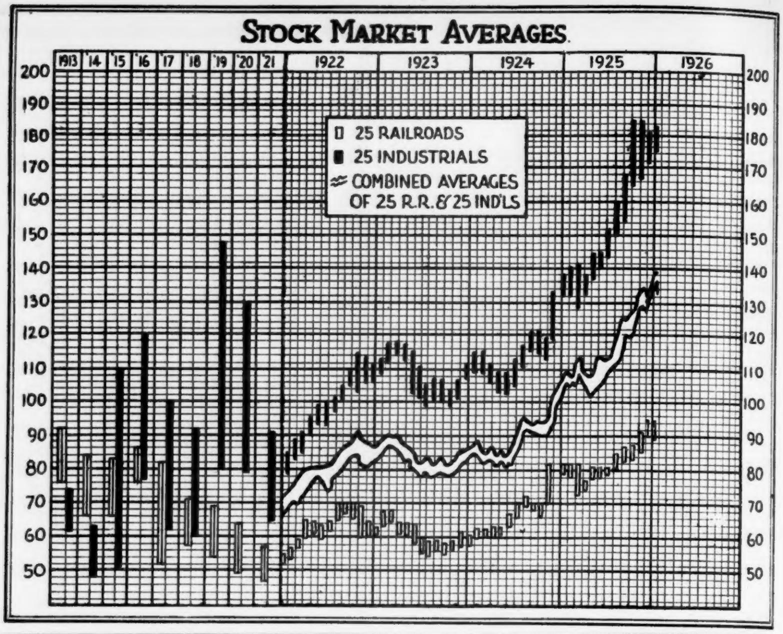
The following tabulation will illustrate the growth of Potomac Electric's income with earnings translated into terms of net per share accruing to Washington Railway common stock, compared with earnings actually reported by the holding company:

	Reported Earnings per share of Wash. Ry. Com.	Equivalent Earnings per share of Wash. Railway Before Depreciation	After Depreciation
1922	$5.94	$25	$16
1923	6.08	28	17
1924	8.95	35	24
*1925	10.00	57	33

*Partly estimated.

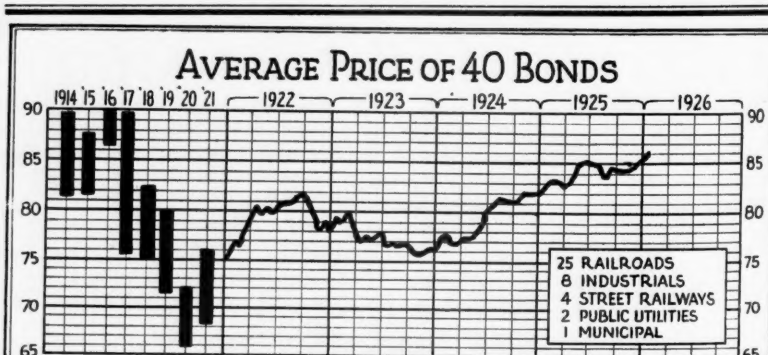
The traction properties have operated under handicaps that are common to this industry. Nevertheless, net earnings from this source have been main-

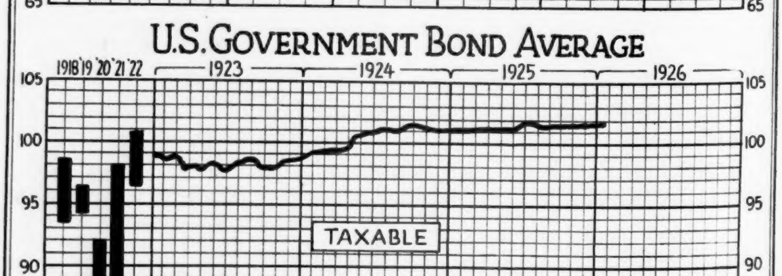
(*Please turn to page* 675)



MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Thursday, Jan. 7..	85.81	158.93	113.12	138.40	137.03	1,744,261
Friday, Jan. 8.....	85.73	158.76	112.45	138.12	136.21	2,162,886
Saturday, Jan. 9...	85.77	159.00	112.81	138.31	137.26	1,124,438
Monday, Jan. 11..	85.74	159.58	112.48	138.70	135.77	2,276,324
Tuesday, Jan. 12..	85.70	157.69	111.92	137.89	135.80	1,754,470
Wednesday, Jan. 13	85.86	158.31	112.42	138.18	136.85	1,591,199
Thursday, Jan. 14..	85.86	156.90	111.26	137.95	136.33	1,512,426
Friday, Jan. 15...	85.78	155.10	109.80	136.31	134.44	2,184,269
Saturday, Jan. 16.	85.81	155.23	109.70	135.25	134.18	975,365
Monday, Jan. 18...	85.87	155.98	110.34	136.25	134.75	1,320,725
Tuesday, Jan. 19..	85.88	153.81	108.93	136.35	133.56	1,798,608
Wednesday, Jan. 20	86.02	155.04	109.22	134.60	132.28	1,953,875





GIVING NEW LIFE TO GAS INDUSTRY

(Continued from page 621)

will naturally be affected by any increase in valuation basis for rates.

Working capital position is fairly good, although surplus of current assets over current liabilities is only $400,000. In a public utility company this, however, is satisfactory. Net tangible assets per share of common are well below present quotation of $165. Even on basis of earnings, which in 1924 were $15.35 per share, present price seems too high. Expected segregation of electrical properties in a new company, to be owned by stockholders of Laclede, appears the only reason for this otherwise high price.

Leadership in technical advances and bonus of electrical company stock is offered as justifying present price of Laclede. On any other basis, it is too high.

Consol. Gas, Elec. Light & Power Co. of Baltimore

Consolidated of Baltimore derives its revenues from gas and electricity, in the proportion of 8 millions gross in gas to 13 millions in electricity. In 1925 both these gross revenues have increased considerably. Gas output rose from 1,880 millions of cubic feet to 2,027 millions and electrical output from 197 million kwh. to 225 million kwh. As the only company distributing both gas and electricity in Greater Baltimore, it has participated to the full in the industrial revival of that area. After showing consistent earnings increases in 1923 and 1924, its remarkable additions to earning power are continuing. Net income for the first nine months of 1925 showed an increase of one million or over 25% as against 1924 income for same period. Earnings per share of common stock ought to be well over $6 despite 1925 increases in capitalization. Since dividend rate is only $2.50, dividend policy is, if anything, too conservative and ought soon to be changed.

Financial condition of company is excellent. Net working capital is over 13 millions, of which 7.5 millions are cash. Net tangible assets per share ought to show up at better than $36 per share, despite the new financing last November. Shareholders were then entitled to subscribe at $35 per share, whereas market price is now about $50. This advantage may be repeated as only 700,000 out of 1,200,000 authorized shares are outstanding.

Increase in earning power is the justification for present prices of Consolidated of Baltimore and its value may be expected to increase considerably this year.

Brooklyn Union Gas

In point of population served, Brooklyn Union Gas is the second largest gas

company in the country, and is one of America's outstanding utilities. Bonded debt is comparatively small, amounting to 21 millions. Two issues of 7% debentures totalling $650,000 are convertible into common stock at the rate of two shares for each $100 debenture. A new issue of 5½% debentures, in the amount of 11.25 millions was offered in December, 1925. Stockholders had the right to buy at par $22 of these debentures for each share held. The company has book value of 70 millions, and reproduction cost would not be less than 123 millions. If stock were to sell in line with reproduction cost, price per share would be over $175. Earnings of the company cannot be reported finally until all funds held in suspense account, pending Supreme Court decision are released. Judging by precedent the 3 millions so held from 1924 earnings will be made available to the stockholders after this decision. Since earnings were reported for 1924 as $1.17 per share, whereas on the earnings including amount tied up they were about $7 per share, it will be seen that the Supreme Court decision, if favorable, will have a doubly good effect on the stock. It will assure high earning power as well as release back funds.

Brooklyn Union Gas has a small capitalization and operates in a rapidly growing territory. Growth in revenues and a fixed rate of return, when settled, make present price fairly attractive.

Consolidated Gas Co. of New York

Consolidated Gas Co. of New York, controlling New York Edison, is the most famous of American gas companies. A third of its gross revenues are derived from gas sales. Its earnings in 1925 appear to show a slight gain over those for 1924. It is furthermore increasing its electric capacity. A new power plant, having a capacity of 700,000 kwh., is now being erected. Furthermore real estate holdings are being added to. A new structure, adjacent to offices of company, will house new offices, at a cost of seven millions. Hence, planning is being done for great expansion. Especially in the Bronx and Westchester districts population is fast growing. In Manhattan domestic consumption may be affected by population decline, but this will be more than offset by industrial growth.

Consolidated gas suffers through frequent political attacks. The last assault by the city on Edison Company rates is said to have involved the expenditure by the company of 3 millions to defend its rates. Furthermore, in Westchester such attacks on the part of the political authorities have been partly successful. Fortunately, this area contributes only a small percentage of company revenue.

Consolidated Gas has impounded 13 millions, which is being held pending a rate decision by the Supreme Court. The decision, which is expected to make these funds completely available to the company, ought to be handed down in the spring of 1926. Such a decision

would enhance capital value, and ought to add to cash receipts by stockholders. In a sense, present price of Consolidated Gas, is, therefore, speculative, since if the decision is unfavorable common stock quotations will decline.

Financial condition is excellent. Working capital is 27 millions and current liabilities show no bank loans. Net tangible assets per share are $108, and prevailing price of $98 is, therefore, below asset value.

Consolidated Gas should reflect favorable Supreme Court decision, but slight possibility of defeat keeps stock prices below intrinsic value.

OVER-THE-COUNTER

(*Continued from page* 671)

tained in the face of declining passenger revenues by virtue of reductions in operating expenses. Incidentally, the street railway properties are self-sustaining. Net income from these subsidiaries has always been sufficient to meet interest charges and, in recent years, the major share of preferred dividend requirements on the holding company's 85,000 shares of 5% cumulative preferred stock.

North American Co. owns about 75% of the 65,000 shares of $100 par value common, so that the so-called floating supply of this issue is not large. Since the preferred shares have voting power, North American does not actually control the company.

In comparison with other public utility common stocks, Washington Railway common appears undervalued both from the viewpoint of asset value and potential dividend prospects. The undistributed earnings of Potomac Electric are a source from which the parent company should ultimately be able to draw a larger measure of revenues and thus increase its own $5 common dividend. For the patient investor, concerned less with immediate speculative profits than long range possibilities, the shares are attractive.

OPPORTUNITIES IN CONVERTIBLE BONDS

(*Continued from page* 618)

It is doubtful that the preferred dividend will be increased for the present, at least. To do so would result in conversion of the adjustment bonds and materially increase demands upon the company's income. Moreover, it is understood that Kansas City Southern has acquired a considerable amount of 'Katy common for merger purposes. This road would doubtless object to an increase in preferred dividends, until they become cumulative in 1928, in order to build up a larger equity for the common stock.

The conversion possibilities in Missouri-Kansas-Texas adjustment 5s, therefore, are potential rather than real at the present time. The bonds, nevertheless, are desirable and the conversion feature should ultimately prove profitable to patient investors.

GRANBY CONSOLIDATED DEBENTURE 7s Though an important copper producer and the largest factor in this industry north of the Canadian border, Granby made but a sorry showing in the four years ended December 31, 1924, registering four successive yearly deficits. In three of these years, however, liberal allowances were made for depreciation and depletion, a total of 3.45 million dollars having been written off on this account. Last year, earnings showed substantial improvement. Earnings, for the nine months ended September 30, amounted to $2.32 a share for the common, before depreciation and depletion. Indications are that net will amount to approximately $3 a share for the full year.

About three years ago, the company adopted a construction program involving additions and improvements to its properties and in 1923 acquired the valuable properties of Canada Copper Corporation through an exchange of stock in Allenby Copper Co. Additional expenditures were necessary to bring these properties to a profitable production basis.

Granby would seem to have reached a point where operations are now well coordinated and production costs reduced to a basis admitting of profitable results henceforth. In October, for example, the company had cut its copper production costs to 9.46 cents a pound compared with 10.6 cents for the year 1924. Financial position has been strengthened during the past three years, with working capital at 1.39 million dollars, as of June 30, 1925, against $492,269 at the close of 1923.

An issue of 2.5 million dollars of 8% convertible debentures, maturing May 1, 1925, was refunded last year through the issuance of the present 7% convertible debentures. These bonds are convertible into common stock at $25 a share and callable at 105.

The bonds are attractive as an investment and appear to possess good speculative possibilities despite the fact that they are now selling two points above the redemption price. It would be to Granby's advantage to establish its common stock upon a dividend basis of say, $2 or $3 a share and thereafter call in the 7% debentures at 105. *This action would have the effect of forcing conversion and would eliminate the 2.5 millions of funded debt involved. This possibility, as stated, adds speculative attractiveness to the Granby 7s since the bond must first move upward in response to the discounting of dividend possibilities for the stock.*

INTERNATIONAL TEL. & TEL. 5½s This company is generally recognized as the "American Telephone" of the international telephone industry. Its growth since the present organization was formed out of the welding of the Cuban and Porto Rican telephone systems, in 1920, has been remarkable. The company aspires to become the dominant factor in foreign fields and has already made distinct progress in that direction.

It has acquired a controlling interest in the telephone business of Mexico and is operating the former government-owned system of Spain under contract. Last year, International also gained a foothold in France through purchase of the Compagnie des Telephones Thomson-Houston. In September, 1925, the company purchased the International Western Electric Co., formerly owned by Western Electric Co., Inc. This step resulted in further broadening its sphere of activities since the latter concern and associated companies are engaged in supplying practically all foreign countries with equipment.

In order to finance the purchase of International Western Electric, the company turned over 25 million dollars of 5½% debenture bonds to the Western Electric Co. This issue was subsequently sold to the public. These bonds constitute a direct obligation not secured by mortgage. After March 1, 1926, holders will have the right to exchange these bonds for International Telephone common at the rate of $125 of bonds for $100 par value of stock.

The bonds are redeemable, upon 60 days' notice at 105 prior to September 1, 1930, and thereafter at a decreasing rate. The holder, therefore, would have ample time to convert his bonds into stock, should they be called for redemption. It is unlikely that they will be retired for some time to come, however. The company's expansion program will require further outlays of working capital which should tend to prevent retirement indefinitely.

In view of the company's consistent record of growth and prospects for continued expansion, the conversion privilege should utimately prove valuable. Hence, those who are willing to hazard the loss of a few points on the bonds against the prospects for eventual profit in the conversion feature can afford to disregard the present spread between market and call prices.

An Open Letter to the Shareholders of the Florida Mutual Building & Loan Association From Its President

Florida Mutual Building & Loan Association
INCORPORATED

Authorized Capital, $10,000,000
ALHAMBRA ARCADE
Cor. 6th St. and 1st Ave. N.
ST. PETERSBURG, FLORIDA

DEAR MEMBER AND ASSOCIATE:

We are writing you this letter to give you a brief review of the operations of this Association since its incorporation.

On June 15th, 1925, a charter was granted with a capital of Five Hundred Thousand Dollars ($500,000.00). It was readily seen by the way in which people purchased shares, as well as the demand for money that followed our announcement, that we would have to increase our capital. This was done on June 20th, the increase being Four and One Half Million Dollars ($4,500,000.00), making a capital of Five Million Dollars ($5,000-000.00) in all.

The reception given these shares was very gratifying and on January 5th of this year, the entire capital of Five Million Dollars ($5,000,000.00) was oversubscribed by approximately One Hundred Thousand Dollars ($100,000.00). This is, we believe, a record that has never been surpassed in the sale of Building and Loan shares.

On January 7th your Directors declared a semi-annual dividend of four per cent (4%), being at the rate of eight per cent (8%) per annum. The total net earnings were much greater than that, however, and it was only after a trip was made to Tallahassee by your Treasurer to consult with the Comptroller's department (under whose supervision all banks and Building and Loans are permitted to operate), and upon his report to your Directors, that it was decided to carry to surplus the balance of the net earnings of your Association for the past six months. It will please you to know that the amount thus carried to surplus to strengthen your institution and make your shares more valuable, was eight per cent (8%), or an amount equal to twice the dividend rate declared.

As the demand for money to build more homes continues to be very great the Comptroller's department at Tallahassee has very graciously consented to grant us a further increase of capital, and therefore, shares in this Association are now available for purchase at One Hundred and Five Dollars ($105.00) per share, payable in full for cash, or on the installment plan of Five Dollars ($5.00) per share down and Fifty Cents (50c) per share, or more, per month.

All shareholders will, without doubt, commend the very conservative attitude of your Directors in employing such a substantial portion of the earnings with which to create a large amount of surplus as an additional bulwark of safety, instead of paying it out in dividends. This action is the more commendable when it is considered that large dividends at the present time would no doubt have materially assisted in the disposition of the increased capital now going on the market.

We wish to thank those who, by their cooperation and their subscriptions, have helped to make this Association such a pronounced success, and we would suggest, in conclusion, that all subscribers send in their pass books at once so that the dividend may be credited to them.

Yours very truly,

FLORIDA MUTUAL BUILDING & LOAN ASSOCIATION

By

W Scott Lewis
President.

Important Changes in Capitalization of Leading Companies

(Dates of Stk. Divs. and Rights are Dates of Record: "Ex" same Date, unless otherwise stated.)

(*Continued from page* 642)

CONSOLIDATED CIGAR CORP.
Jan. 22—Offered to Com. Holders right to subscribe, at $55, to 1/3 sh. Add. Com. Stk. for each sh. held....................shs 48,666

CUSHMAN'S SONS, INC.
Jan. 14—Offered to Com. and/or 7% Cum. Pfd. Holders right to subscribe, at $100, to 1/10 sh. Add. 7% Cum. Pfd. Stk. for each sh. held....................$1,181,220

FISK RUBBER CO. (THE)
Jan. 27—Decreased Auth. 1st Pfd. Stk. from $24,950,000 to $24,521,900.

FOUNDATION CO. (THE)
Jan. 11—Paid to Cap. Stockholders a Div. of 4/10 sh. Class "A" Com. Stk. of THE FOUNDATION CO. (FOREIGN). (See our Issue of Jan. 16.) (Ex-Div. Jan. 26)....................shs 40,000

GOODRICH (B. F.) CO. (THE)
Jan. 14—Sold 3-yr. 5% g. Notes, '27-'29 (For working Cap.) $15,000,000

INTERNATIONAL PAPER CO.
Until Jan. 15—Offered to exchange 1 sh. 7% Cum. Pfd. for each sh. 6% Cum. Pfd. and $10 cash....................$25,000,000

KRESGE (S. S.) CO.
Jan. 19—Reduced par value of Com. Stk. from $100 to $10.
Increased Auth. Com. Stk. from 500,000 shs. ($100 par) to 10,000,000 shs. ($10 par).

LEE RUBBER & TIRE CORP.
Jan. 18—Offered to Cap. Stockholders right to subscribe, at $12.50, to 2/5 sh. Add. Cap. Stk. for each sh. held....................shs 72,453

MACK TRUCKS, INC.
Jan. 22—Offered to Com. Holders right to subscribe, at $100, to 1/6 sh. Add. Com. Stk. for each sh. held....................shs 101,915

MOTION PICTURE CAPITAL CORP.
Jan. 2—Sold, to Theo. Schultze & Co., Inc., at $15, Add. Com. Stk. shs 33,690
(Jan. 5—30,000 shs. of above Com. Stk. was offered publicly, at $20.)

NASH MOTORS CO.
Jan. 2—Increased Auth. Com. Stk. from 300,000 shs. to 2,730,000 shs.

NATIONAL DAIRY PRODUCTS CORP.
Jan. 2—Absorbed the BREYER ICE CREAM COMPANIES, with extensive plants in Philadelphia and New York.

NEW YORK, NEW HAVEN & HARTFORD R. R. CO.
Jan. 17—THE NEW ENGLAND TRANSPORTATION CO., a Subs., started ten bus lines over 400 Mis. of Connecticut roads. This marked the first step in establishing an extensive bus and trolley feeder system for the Company's express trains throughout New England.

PACIFIC MAIL STEAMSHIP CO.
Jan. 19—Paid liquidating Div. of $5.00 cash....................$750,000

PARISH & BINGHAM CORP.
Jan. 27—Paid final liquidating Div. of $2.29 cash....................$343,500

RAILWAY STEEL SPRING CO.
Jan. 20—Reduced par value of Com. Stk. from $100 to $50.
Increased Auth. Com. Stk. from 135,000 shs. to 405,000 shs.

SAVAGE ARMS CORP.
Jan. 7—Purchased physical inventory & good will of the PAGE-LEWIS CO., at Chicopee Falls, mfrs. of .22-calibre rifles.

WEBER & HEILBRONER
Jan. 15—Paid to Com. Holders a Div. of 15% in Com. Stk. (Ex-Div. Jan. 27)....................shs 11,501

INVESTMENT OPPORTUNITIES IN A DECLINING INDUSTRY

(Continued from page 639)

terest in the company's oil transportation business on a 10 per cent basis, the stock would still be worth between $30 and $40 a share. *If the management accedes to the minority's request, Northern Pipe Line stock would undoubtedly deserve a market value of between $90 a share and par.* Northern Pipe Line is exclusively a trunk line system. It has not been affected as adversely by water shipment competition as the southern route companies and has fewer uncertainties to contend with it in its operations.

The Status of Other Companies

Indiana Pipe Line is attractive on the basis of both cash asset value of the shares and the earning power of its fixed assets. The whole system comprises almost 1,000 miles, approximately two-thirds of which represents an important link in the northern route from the Mid-continent to the Atlantic seaboard. It earned $4 a share from its oil deliveries in 1924 and did a considerably larger business in 1925; besides, cash and high grade bonds are equal to $44 a share, compared with a market price of around $60. The $16 a share that might be considered the investment in the oil delivery business alone, therefore, has an indicated current earning power, under none too favorable conditions, of possibly $7 a share. *In the event of a distribution of the cash assets, the shareholders of Indiana Pipe Line would undoubtedly fare handsomely.*

Prairie Pipe Line

With its extensive gathering lines in the Mid-continent field and the outlet to the Gulf recently acquired, *Prairie Pipe Line* is probably in a better position than any other company in its class to withstand the encroachments on pipe line business. When the most economical route is from the Mid-continent to the Gulf and by tanker from the Gulf to the Atlantic, crude will be moving through Prairie's pipe lines. Should tanker shipments become less profitable it can deliver through its trunk lines. Having no material cash asset value to fall back on, these shares have a market valuation based on current operations and future outlook. *Prairie is less susceptible to the apparent decline of the industry than other companies, and its shares consequently are more interesting for speculative-investment commitment.*

National Transit presents a more complicated situation with its activities divided between the manufacture and sale of oil and gas engines, pump machinery, etc., and the oil transportation business. Its pipe lines are primarily trunk systems, and this end of

(Please turn to page 682)

THINK OF IT, AN *EIGHT* AS SIMPLE AS A SIX

¶ DIANA the Light Straight *Eight* is as simple as a Six, and it is *built in line* just like a Six. DIANA costs no more to run than a *light* Six, yet it gives you the power, pick-up and flexibility of a Twelve, without the complications.

¶ See DIANA *today*. Ride in it, drive it, put it through its paces. You'll say, "*Wonderful!*"

Diana Eights are Sold and Serviced by Moon Six Dealers Everywhere

DIANA

THE *LIGHT* STRAIGHT EIGHT

MOON MOTOR CAR COMPANY, *Stewart MacDonald, Pres., St. Louis*

The securities recommended by this institution are first mortgage bonds of uncommon calibre and value, and they pay the highest rate of interest compatible with safety.

6½% First Mortgage Real Estate Serial Gold Bonds

Federal Bond & Mortgage Company

In the

Federal Bond & Mortgage Building, Detroit

(1595)

(*Continued from page* 680)

the business is in fairly good shape from the operating standpoint.

New York Transit owns 300 miles of triple 6-inch pipe which connects with the Standard Oil of New Jersey refineries and a branch that runs to S. O. of New York property. The increasing tendency of the eastern Standard Oil refineries to accept shipments of South American oils may forecast a future formidable menace to this company's operations. Both *National Transit* and *New York Transit* have large cash assets to consider.

Southern Pipe Line has cash assets of an amount equal to over five dollars per share more than the current price of the stock. The company is exclusively a trunk line proposition. It has been and probably will continue to be affected adversely by the shipments over the water route. In the light of the latter consideration, the speculative preference might go to *Northern Pipe Line* which has a similar cash asset situation and a better outlook as far as pipe line profits are concerned.

Southwest Pennsylvania Pipe Line is principally a gathering system compelled to charge off heavy depreciation against its property as production declines in the fields served. The stock has a substantial cash asset value, but many uncertainties are concerned in its future outlook.

Illinois Pipe Line controls an extensive system of gathering lines with a capacity of about three-quarters of the normal output of the Illinois fields and its trunk lines represent a link over more than 2,000 miles in the northern route. New fields have been entered to offset the declines in the older districts and the company is fairly well situated as far as operations are concerned. The present market valuation is based almost entirely on earnings as an oil transportation company and only a small portion of its income is derived from invested resources.

Buckeye, Eureka and *Cumberland* operate gathering pipe lines with a relatively smaller portion of their fixed assets in the trunk line systems. *Cumberland* is in the best position of these three companies with substantial cash assets and fairly high earning power from crude oil deliveries. *Eureka* has high operating costs and large depreciation write-offs showing no operating income after all charges in 1924 —*Buckeye* shares have a relatively smaller cash asset value in contrast to the present price of the stock.

Crescent Pipe Line is now a liquidating proposition, but its market performance offers some light as to how stockholders of other companies may fare if they eventually reach the liquidating stage. When it became known that Crescent was losing its business, through the decision of Atlantic refining Company to depend upon tanker deliveries, the stock sold off to slightly more than $10 a share. After the proposal to liquidate was ratified by the stockholders, the stock sold around $17, and it is quite likely that the ultimate liquidation will bring more than this amount.

New Issue January 26, 1926

$25,000,000

Rheinelbe Union

(Gelsenkirchener Bergwerks A. G.
Deutsch-Luxemburgische Bergwerks-und Huetten A. G.
Bochumer Verein fuer Bergbau und Gussstahlfabrikation)

Twenty-Year 7% Sinking Fund Mortgage Gold Bonds

With Non-detachable Stock Purchase Warrants

$8,050,000 of bonds have been withdrawn for sale simultaneously in Europe by Messrs. Mendelssohn & Co., Amsterdam, Nederlandsche Handel Maatschappij, Pierson & Co., and others.

To be dated January 1, 1926 Due January 1, 1946

To be authorized and issued $25,000,000. Interest payable January 1 and July 1. Principal and interest payable in New York at the offices of Dillon, Read & Co., and J. Henry Schroder Banking Corporation, in United States gold coin. Bondholders may, at their option, collect principal and interest, in London at the office of J. Henry Schroder & Co., in Pounds Sterling, or in Amsterdam at the offices of the above named Dutch banks, in Guilders, at the buying rate for sight exchange on New York on the date of presentation for collection. Coupon bonds in denomination of $1,000 registerable as to principal only. In addition to sinking fund redemption, bonds are callable as a whole, or in part by lot, on any interest date, after 30 days' notice, at the following prices and interest: to and including January 1, 1931, at 105; thereafter to and including January 1, 1936, at 102; thereafter at 100. The American Exchange Pacific National Bank, American Trustee. Deutsche Kreditsicherung A. G., German Trustee.

The companies agree to provide a sinking fund sufficient to retire the entire issue by maturity, by semi-annual call by lot (first redemption July 1, 1926) at 100 and interest, at the annual rate of $625,000 for the first ten years and $1,875,000 thereafter to maturity.

Principal and interest payable, to others than citizens and residents of Germany, without deduction for any taxes, past, present or future, levied by German governmental authorities.

From their letter to us, Dr. Oscar Sempell and Mr. Herbert Kauert, Managing Directors of Deutsch-Luxemburg and Gelsenkirchen, respectively, summarize as follows:

RHEINELBE UNION

The companies above referred to as the Rheinelbe Union—viz. Gelsenkirchener Bergwerks A. G., Deutsch-Luxemburgische Bergwerks-und Huetten A. G. and Bochumer Verein fuer Bergbau und Gussstahlfabrikation (also known as the Big Three Group)—are operated as a unit under existing inter-company agreements and together constitute the largest coal producing and iron manufacturing group in the old established coal and iron industry of the Ruhr district. They are also one of the largest steel manufacturers and produce a more diversified line of highly finished steel products than any other manufacturer in Germany. During the fiscal year ended September 30, 1925, they employed on an average about 106,000 men. The Rheinelbe Union is the largest unit in the pending consolidation of important German steel and coal companies in the Ruhr district. The Rheinelbe Union, together with the Siemens companies, which are among the largest electrical manufacturing concerns in the world, constitute, under the inter-company agreements, the Siemens-Rheinelbe-Schuckert-Union, one of the strongest industrial combinations in Europe.

SECURITY

These bonds will be the direct joint and several obligations of the three companies, secured by a closed mortgage on all of the fixed assets of each company (except rolling stock, portable machinery, etc.) subject to approximately $17,000,000 of underlying mortgages, including obligations under the Dawes Plan based on the present assessment. Such fixed assets have been valud by Mr. H. A. Brassert, American consulting engineer, on the basis of present replacement costs in Germany, after allowance for depreciation and obsolescence, at over $214,000,000 (including land, and coal and ore reserves), or more than 5 times the sum of these bonds and all such underlying mortgages. Based on current quotations on the Berlin Stock Exchange, the outstanding common stocks of the three companies have an aggregate market value of about $50,000,000.

DIVIDEND RECORD

The pre-war dividend record of the three companies is as follows: Gelsenkirchen paid dividends every year for the entire 42 years of its existence prior to 1915 at rates averaging over 9% per annum. Deutsch-Luxemburg, organized in 1901, paid its first dividend, amounting to 8%, in 1905 and during each of the following eight years dividends of at least 10%. Bochumer Verein paid dividends every year for the 36 years prior to June 30, 1914, and during the entire 60 years of its history prior to that date paid dividends at rates averaging more than 8½% per annum. The above dividend rates were maintained notwithstanding substantial increases in capital of the respective companies. Because of abnormal financial and industrial conditions during and following the war, dividends paid by the companies since the beginning of the war are not significant.

EARNINGS

Combined earnings of the three companies for the fiscal year ended September 30, 1925, after deducting ordinary repair and maintenance charges and, in lieu of depreciation, all charges for replacements and improvements and certain capital additions, but before interest charges and profit taxes, as audited by Messrs, Price, Waterhouse & Co., in accordance with American accounting methods, amounted to over $8,400,000 or more than 4 times the sum of interest charges on these bonds and on existing underlying mortgages and estimated payments under the Dawes plan for the year ending September 30, 1926, and more than 3.3 times the sum of the maximum annual interest charges on these bonds, on existing underlying mortgages and estimated maximum annual payments under the Dawes Plan. While no specific charge for depreciation has been made against the earnings, the expenditures charged off against profits in lieu thereof, for improvements, capital additions, etc., as reported by Messrs. Price, Waterhouse & Co., amounted to approximately $3,275,000 in addition to ordinary maintenance and repairs of approximately $5,000,000. Because of the enormous quantity of their coal reserves, obtained mostly by free grant from the Government, the companies make no specific provision for depletion.

EXPORT BUSINESS

Combined export sales of the three companies for the year ended September 30, 1925, amounted to over $29,000,000, including export sales of about $7,000,000 for reparations account for which payment is made in German currency.

STOCK PURCHASE WARRANTS

A non-detachable Warrant will be delivered with each bond, entitling the holder, on or before January 1, 1931, to purchase ten shares (par value 100 Reichsmarks per share) of the outstanding common stock of Deutsch-Luxemburg at the equivalent of 100% of par, viz. $23.80 per share. Warrants may be detached from bonds called for redemption on or before January 1, 1931. Berlin Stock Exchange quotations indicate that during the five years 1909-1913 Deutsch-Luxemburg common stock never sold below 128% of par and during three of those years reached a high quotation of over 200% of par. It is now quoted at about 89% of par.

The companies have agreed to make application to list these bonds on the New York Stock Exchange

Conversions of German into United States Currency have been made at par exchange (one Reichsmark equals 23.8 cents).

We offer these bonds for delivery if, when and as issued and accepted by us, subject to the approval of legal matters by our counsel. It is expected that delivery will be made on or about February 3, 1926, in the form of interim receipts of Dillon, Read & Co.

Price 94 and Accrued Interest. To Yield over 7.55%

Further information is contained in a circular which may be had on request.

Dillon, Read & Co.

J. Henry Schroder Banking Corporation **Mendelssohn & Co.**

The statements herein, based in part upon cable communication, have been accepted by us as accurate but are in no event to be construed as representations by us.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standard. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

PROFIT SHARING PLAN UNDER THE MAHLSTEDT-STEEN METHOD OF FINANCING

A plan of interest for investors combining Safety of Principal, Assured regular income, Return of principal, a continuing share in the profits. Ask for circular (361).

BUILD YOUR INCOME ON PROSPERITY'S PATH

This booklet tells you of the wonderful investment opportunities offered by the marvelous growth and prosperity of Miami, Fla. Send for your free copy. (325)

THIRTY-FIVE YEARS OF PERSONAL SERVICE

Are you seeking a location for your plant? If so, send for this interesting booklet which will be sent free without obligation. Ask for 346.

SAFETY FIRST

Protect yourself with the experience of this First Mortgage Real Estate Bond House contained in this interesting booklet. Ask for (341).

INVESTMENT FEATURES OF CO-OPERATIVE APARTMENT OWNERSHIP AT JACKSON HEIGHTS

A valuable booklet prepared by the Queensboro Corp., which shows the moderate cost and advantages to be derived from owning your own home in a beautiful section a short distance from New York City. Ask for (336).

MORE SALES

This booklet tells how you can increase sales, collections and inquiries with genuine personal human letters written on the Hooven Automatic Typewriter. Ask for 353.

COMMERCIAL OPPORTUNITIES IN SOUTH AMERICA

This special report will be exceptionally interesting to exporters inasmuch as the writer spent four years studying conditions in the Latin-American countries. Ask for 349.

6% AND SAFETY LIST

For over fifty years we have been assisting investors in the selection of sound securities and our information department has recently compiled this list which we will send you free. Ask for (313).

STANDARD OIL BOOKLET

We have available a limited supply of the new 23rd edition booklet containing financial statements, dividend records, annual reports for 1924, price ranges, etc., of the Standard Oil group, together with an engineer's report on their acreage and oil reserves. Send for your free copy (219).

TRANS-LUX DAYLIGHT PICTURE SCREEN CORPORATION

An illustrated circular describing this unusual invention which has been installed by many of the leading Stock Exchange firms to display stock quotations in their customer's rooms.

This device has also been installed on the floor of the New York Stock Exchange. Arrangements have been made to use the Trans-Lux screen in one of the largest Motion picture theatres in this country.

This and many other uses are fully described in this circular, which will be sent without obligation to any of our readers. (358).

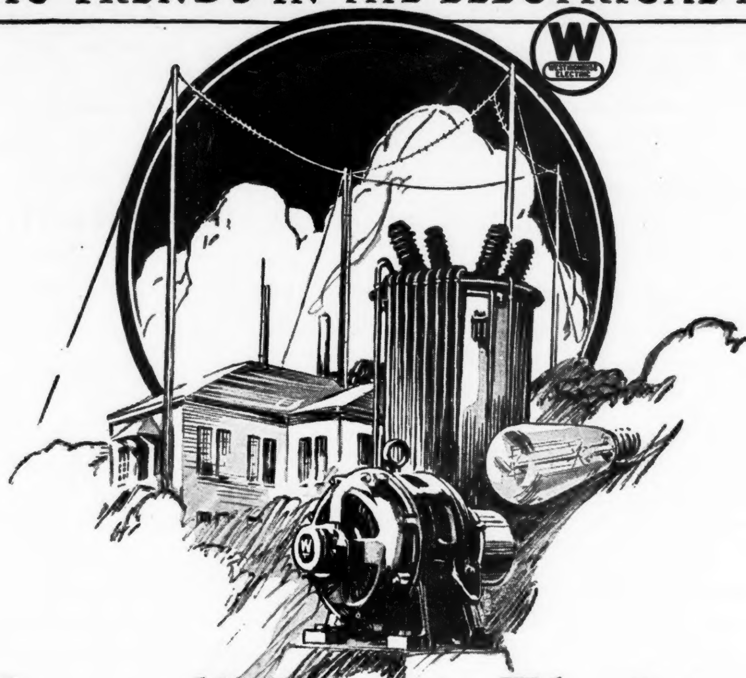
THE PRUDENCE PARTIAL PAYMENT PLAN

An interesting booklet describing how guaranteed first mortgage Prudence Bonds may be purchased in small installments. Special features of the booklet are the chart which shows how money grows and the fact that the partial payments draw 5½% interest. (316)

MORTGAGE INSURANCE

How to insure payment of mortgage on your home against death of breadwinner is covered in an interesting layout blank issued by an analyst of cooperative economics. Ask for 357.

ECONOMIC TRENDS IN THE ELECTRICAL INDUSTRY



Have all the big Electrical Discoveries been made?

History abounds in stories of men who at the dawn of the great industrial era in this country, pulled up stakes and left New York, Boston, Philadelphia, and other eastern centers because, they said, "these cities are as large as they can ever become; all the opportunities here are gone."

So rapid has been the rise of the electrical industry that it takes a phenomenal development like radio to remind men how young the industry really is, and what boundless fields of service surround it on every side.

Four years ago radio meant as little to the average American citizen as do the theorems of calculus. Today it approaches being a necessity. Last year's sales of radio apparatus reached the astounding total of $350,000,000. In all the annals of business this feat of literally picking a gigantic industry out of the air goes unparalleled.

Yet radio is merely one corner of the huge world which electrical genius is exploring.

WESTINGHOUSE ELECTRIC & MANUFACTURING CO.
EAST PITTSBURGH, PA.

Westinghouse

It was back in the days of wireless that two Westinghouse men, to settle an argument over the accuracy of their watches, built a simple set of radio receiving apparatus. Out of their experiments came KDKA, the pioneer broadcasting station of the country. Other Westinghouse stations are KYW, WBZ, KFKX.

THE OPPORTUNITY EXCHANGE
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IDEAS - SERVICE - COMMODITIES

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For $1.25 PER THOUSAND COMPLETE

IN 50M lots; 25m $1.50; 12,500 $1.75 on our white 20 lb. Paramount Bond. A Beautiful, Strong, Snappy Sheet. No smaller quantities.

ENVELOPES TO MATCH, $1.50 PER M
Booklet of Engravings on Request.

GEORGE MORRISON CO.
429 East 53rd St., N. Y. City
TELEPHONES PLAza 1874-1875-1518
Established 1898 Incorporated 1905

Dividends

THE BORDEN COMPANY
Common Stock Dividend No. 64

The regular quarterly dividend of $1.00 per share and an extra dividend of 25c per share have been declared on the outstanding common stock of this Company, payable March 1, 1926, to stockholders of record at the close of business February 16, 1926. Books do not close. Checks will be mailed.

SHEPARD RARESHIDE,
Treasurer.

REPUBLIC IRON & STEEL COMPANY
PREFERRED DIVIDEND NO. 86

At a meeting of the Board of Directors of the Republic Iron & Steel Company, the regular quarterly dividend of 1¾% on the Preferred Stock was declared payable April 1st, 1926 to Stockholders of Record, March 15th, 1926.

RICHARD JONES, Jr.,
Secretary.

Kellogg Switchboard & Supply Co.
1066 W. Adams St., Chicago, Ill.

Jan. 19, 1926.

The Board of Directors of the Kellogg Switchboard & Supply Company, declared the quarterly cash dividend of 2½%, payable Jan. 30th, 1926, to stockholders of record Jan. 23rd, 1926.

SEYMOUR GUTHRIE,
Asst. Secretary.

Business Opportunities

STOCKS—GRAIN—COTTON

Accounts handled for customers desiring personal service. C. A. Smale, Room 605, 236 West 55th St., New York.

Stock Market charts; fundamental estimates daily for all the year 1926. Write L. H. Weston, Brightwood Station, Washington, D. C.

Dividends

Fairbanks, Morse & Co.
Preferred Dividend

Notice is hereby given that the regular quarterly dividend of One and Three-Quarters per cent (1¾%) has been declared on the outstanding 7% Preferred Stock of this company, payable on March 1st, 1926, to stockholders of record at the close of business on February 15th, 1926.

The transfer books will not close.

F. M. BOUGHEY,
Secretary.

Chicago, Illinois
January 20th, 1926.

Stewart-Warner Speedometer Corporation

At a meeting of the Board of Directors of the Stewart-Warner Speedometer Corporation held January 20, 1926, the regular quarterly dividend of $1.50 per share was declared payable on February 15th, 1926, to stockholders of record on January 30, 1926.

The stock transfer books will not be closed for dividend purposes.

W. J. ZUCKER, Secretary.

Reid Ice Cream Corporation

A dividend at the rate of $1.75 per share upon the preferred stock of the Reid Ice Cream Corporation, issued and outstanding has been declared payable March 1, 1926, to stockholders of record at the close of business, February 20, 1926. Dividend checks will be forwarded by the Chemical National Bank of New York.

WILLIAM J. WELLER,
Treasurer.

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Meetings

Commercial Investment Trust Corporation
Notice of Annual Meeting

NEW YORK, JANUARY, 18, 1926.

To the Stockholders of Commercial Investment Trust Corporation:

Notice is hereby given that the Annual Meeting of the Stockholders of COMMERCIAL INVESTMENT TRUST CORPORATION for the election of seventeen Directors and to transact such other business as may legally come before the meeting will be held in the Directors' Room on the 9th floor in the Liggett Building, 41 East 42nd Street, in the Borough of Manhattan, City of New York, State of New York, on Tuesday, February 16, 1926, at ten o'clock A. M.

FRANK W. COLLINS,
Secretary.

Notice of Annual Meeting of Stockholders

Notice is hereby given that the annual meeting of the stockholders of Independent Oil and Gas Company, a corporation organized under the laws of the state of Delaware, will be held at the offices of the Company in Tulsa, Oklahoma, on Monday, March 8th, 1926 at 2:00 O'Clock P. M., for the purpose of considering and transacting the following business:

1. To elect directors for the ensuing year.
2. To transact any and all other business, of any and every kind, that may arise or come before said meeting or any adjournment thereof.

For the purpose of voting at this meeting a record of stockholders will be taken at 3:00 O'Clock P. M., Eastern Standard Time, February 15th, 1926.

R. M. RIGGINS,
Secretary and Treasurer.

REPUBLIC IRON & STEEL COMPANY

The Annual Meeting of the Stockholders of the Republic Iron & Steel Company will be held at the offices of the Company, No. 1 Exchange Place, Jersey City, N. J., on Wednesday, April 14th, 1926 at 11 o'clock in the forenoon, for the Transaction of any and all business that may properly come before the meeting. Transfer books of the company, both Common and Preferred, will close at 3 P. M. March 15th, 1926 and reopen at 10 o'clock A. M. on April 15th, 1926.

RICHARD JONES, Jr.,
Secretary

Charters

DELAWARE incorporator; charters; fees small; forms. Chas. G. Guyer, 901 Orange St., Wilmington, Del.

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to operate under its new Corporation Law—the most liberal of all States
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AMERICAN SERVICE CORP., INC.
Tallahassee, Florida

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We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

WHY A "NATIONAL UNION" FOR SAFETY

If you are seeking first mortgage bonds that are guaranteed—that are insured—that are protected—send for your free copy of this interesting booklet. Ask for 356.

BOND RECORD

A convenient record book for listing bond holdings, interest payments, profits, etc. Title heading of book, "My Investments." A limited number is being distributed gratis by a leading Bond House. (285)

THE BACHE REVIEW

By reading this timely booklet but ten minutes a week you will be able to judge the market more accurately. Sent for three months without charge. (290)

USE OF OPTIONS

The exceptional profit possibilities in Stock Options and their uses to supplement margin and for protection against losses in the Stock Market fully explained in a free circular. (284)

THE PARTIAL PAYMENT

method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

POWER AND LIGHT

Send for this booklet describing the phenomenal growth of the public utility industry. Ask for 352.

A Record of Achievement

On April 1, 1925 the Trend Trading Service adopted its present long position in the market.

The Record of Profits (after deducting losses), is portrayed in the accompanying chart.

This represents profits realized on

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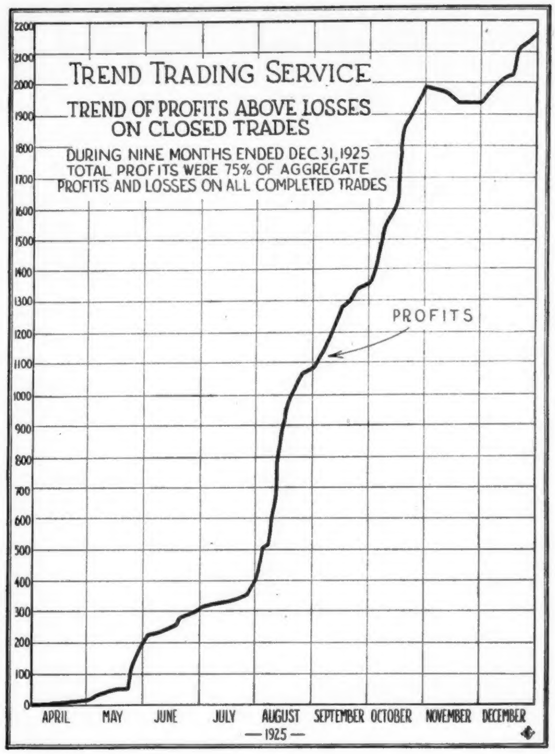
These trades were made on our definite, specific telephone or telegraph instructions. We named the stocks to be bought—closely watched their market action during the carrying period, and when the opportune time arrived to take profits we wired or phoned subscribers to sell.



No client carried more than six stocks at any one time. The graph represents the NET total of recommendations sent to all sections of the Trend Trading Service.

The Trend Trading Service is planned to meet the requirements of traders who desire to take advantage of the five and ten point swings of the market.

Unlike any other service, its advices are transmitted by telegraph and telephone. These are issued whenever opportunities appear—at any time during the market session. We do not wait to write or print our communications; we dispatch them right off quick by wire, so that very little time elapses between the moment of transmission and the time of arrival at your address.

If you have at your disposal the sum of $2,000 or more for trading in stocks, you should take immediate advantage of this Service. We mention the sum $2,000 because we feel that this is the minimum amount as a trading fund that you should have available in order to derive full benefit from the Service. Many of our subscribers use much more.

If you are trading now, or are interested in trading, why not put your operations on a systematic basis, and get real results?

USE THIS COUPON

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42 Broadway, New York City.

Please **send full details of the operations of the Trend Trading Service.**

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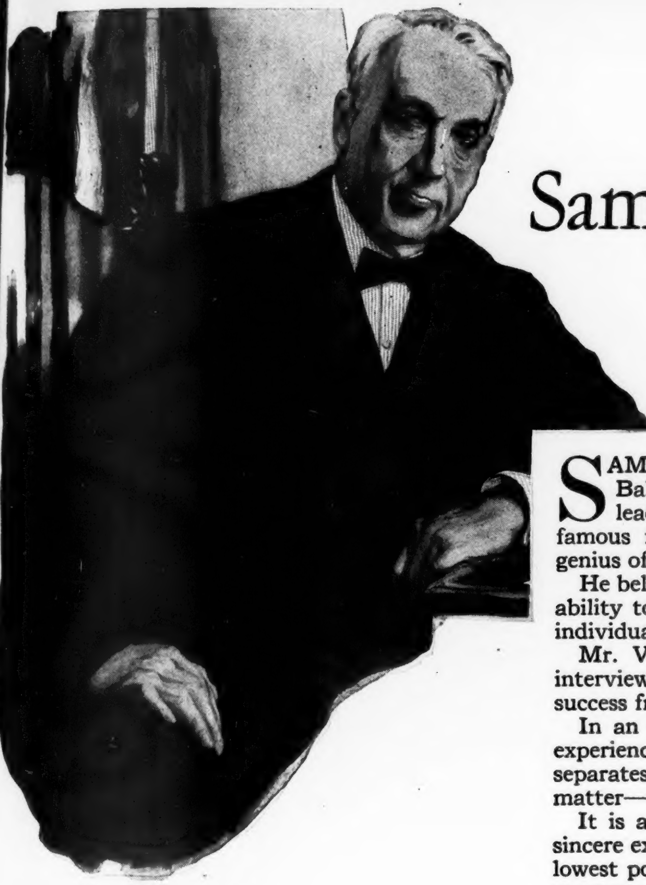
January 30.



Samuel M. Vauclain
President
Baldwin Locomotive Works

Samuel M. Vauclain *on* "Success"

SAMUEL M. VAUCLAIN, President of the Baldwin Locomotive Works, is one of the great leaders of modern business. He is internationally famous for his outstanding success as the guiding genius of a large organization.

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Mr. Vauclain has given to Kardex Institute an interview in which he illustrates this principle of success from his own career.

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It is a paper of intensely inspirational quality, a sincere expression from a man who has risen from the lowest position to the highest by developing his own resources of management.

Every man in business should read this message. It should be distributed throughout every business organization.

Kardex Institute, an organization for research in methods of business management and control, publishes this interview as a part of a program of recording the methods of outstanding leaders in business. It will be sent to all individuals who request it. Organizations wishing copies for distribution will also be supplied gratis to the extent of the edition.

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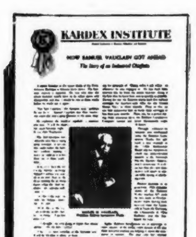
For copies of Kardex Institute Bulletin on Samuel M. Vauclain, use the coupon at the right. Please make requests for more than one copy on your business letterhead.



Kardex Institute, 451 Broadway,
New York City, Desk number 819

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We hereby announce that today, Jan. 30 1926, we are retiring <u>out of earnings</u> of the four buildings *(pictured below)* 10% of the capital invested in them by the public

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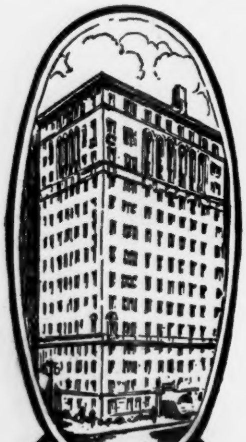

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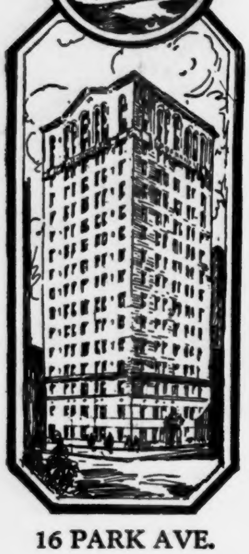
THE public own these and many other FRENCH buildings. They are receiving and will continue to receive the <u>entire net earnings</u> until their investment has been returned to them <u>out of earnings</u> together with 6% cumulative dividends. Thereafter thev will receive one-half the net profits in perpetuity.

The FRENCH PLAN offers the investing public an opportunity to obtain their fair share of profits earned by income-producing buildings.

In asking you to become our partner, and a highly preferred partner until your capital has been returned to you with interest, we guarantee that all the net profits of any building in which you invest will go to you until your capital has thus been returned, and that you will receive one-half the net profits thereafter.

Whatever the period of preferred stock retirement may be, not one dollar of profit can be distributed to the common stock until the full retirement of invested capital is an accomplished fact. **Thereafter the net income is available for dividends on the common stock.**



16 PARK AVE.

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